



**STATE OF NEW MEXICO
CITY OF CARLSBAD**

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

For The Year Ended June 30, 2022

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CITY OF CARLSBAD
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CITY OF CARLSBAD
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**STATE OF NEW MEXICO
CITY OF CARLSBAD
OFFICIAL ROSTER**

ELECTED OFFICIALS

NAME	TITLE
Dale Janway	Mayor
Collis Johnson	Municipal Judge
Lisa Anaya-Flores	City Councilor
Edward Rodriguez	City Councilor/Mayor Pro Tem
Jason Chavez	City Councilor
Jeff Forrest	City Councilor
Karla Niemeier	City Councilor
Judith Waters	City Councilor
Wesley Carter	City Councilor
Mark Walterscheid	City Councilor

DEPARTMENT HEADS

NAME	TITLE
John Lowe	City Administrator
Nadine Mireles	City Clerk
Denise Madrid-Boyea	City Attorney
Ted Cordova	Deputy City Administrator
Kenneth Cass	Deputy City Administrator
Melissa Salcido	Director of Finance/City Treasurer
Shane Skinner	Chief of Police
Richard Lopez	Fire Chief
Ted Cordova	Human Resources Director
Ted Cordova	Director of Community Development
Jeff Patterson	Director of Planning, Engineering, and Regulations Department
Wayne Hatfield	Director of Information Technology
Patrick Cass	Director of Public Works
Mike Abell	Director of Utilities
Angie Testa	Director of Municipal Services
Vacant	Director of Projects
Randy Galindo	Director of Safety

INDEPENDENT AUDITOR'S REPORT

The Mayor and City Councilors
The City of Carlsbad
and
Mr. Brian S. Colón, New Mexico State Auditor

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the general fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the City of Carlsbad (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

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, the general fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the City, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter**Adoption of New Accounting Guidance**

As discussed in Note 1, to the financial statements, the City has adopted the new accounting guidance Governmental Accounting Standards Board (GASB) Statement 87 (Leases). Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks.

Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that schedules of the City's proportionate share of the net pension and OPEB liabilities and the City's contributions, listed as "*Required Supplementary Information*" in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we

obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements, that collectively comprise the City's basic financial statements. The *Supplementary Information*, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents under the *Federal Compliance Section*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The *Other Supplementary Information*, as required by 2.2.2 NMAC, as listed in the table of contents, is also presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information was 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 December 15, 2022 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.

A handwritten signature in black ink that reads "Hinkle & Landers, P.C." in a cursive script.

Hinkle + Landers, PC

Albuquerque, New Mexico

December 15, 2022

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF NET POSITION
AS OF JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets			
Cash	\$ 62,486,465	22,402,691	84,889,156
Receivables, net	11,686,986	1,847,434	13,534,420
Leases receivable, current	65,649	-	65,649
Due from governmental activities	-	112,616	112,616
Inventory	-	966,925	966,925
Total current assets	74,239,100	25,329,666	99,568,766
Noncurrent assets			
Restricted cash	1,641,306	15,734,253	17,375,559
Restricted cash held by fiscal agent	-	240,864	240,864
Leases receivable, noncurrent	915,718	-	915,718
Capital assets:			
Land and construction in progress	3,321,082	1,320,701	4,641,783
Other capital assets, net of depreciation	135,102,498	113,053,300	248,155,798
Right-to-use leased assets, net	848,822	126,416	975,238
Total noncurrent assets	141,829,426	130,475,534	272,304,960
Deferred outflows of resources			
Pension related	6,207,215	714,760	6,921,975
OPEB related	4,812,643	625,371	5,438,014
Total deferred outflows of resources	11,019,858	1,340,131	12,359,989
Total assets and deferred outflows of resources	\$ 227,088,384	157,145,331	384,233,715
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 1,061,732	418,128	1,479,860
Accrued salaries	1,823,938	308,206	2,132,144
Accrued liabilities	89,072	76,729	165,801
Advance grant and lease payments	59,303	-	59,303
Accrued interest payable	-	160,954	160,954
Deposits payable	12,525	598,097	610,622
Due to business-type activities	112,616	-	112,616
Current maturities of:			
Notes payable	-	1,644,773	1,644,773
Lease liability	333,695	7,830	341,525
Compensated absences	759,674	113,755	873,429
Total current liabilities	4,252,555	3,328,472	7,581,027
Noncurrent liabilities			
Notes payable	-	26,676,487	26,676,487
Lease liability	516,926	120,843	637,769
Compensated absences	1,242,561	191,130	1,433,691
Landfill closure and post-closure	-	495,865	495,865
Net pension liability	47,987,707	5,988,747	53,976,454
Net OPEB liability	17,998,531	2,338,792	20,337,323
Total noncurrent liabilities	67,745,725	35,811,864	103,557,589
Total liabilities	71,998,280	39,140,336	111,138,616
Deferred inflows of resources			
Leases	974,181	-	974,181
Pension related	15,185,394	1,988,906	17,174,300
OPEB related	10,723,168	1,393,406	12,116,574
Total deferred inflows of resources	26,882,743	3,382,312	30,265,055
<u>Net position</u>			
Net investment in capital assets	138,421,781	86,050,484	224,472,265
Restricted for:			
Special revenue	2,151,452	-	2,151,452
Debt service	-	241,173	241,173
State mandated per statutes	11,876,082	-	11,876,082
Construction and improvement	348,345	-	348,345
Endowment:			
Expendable	-	8,961,194	8,961,194
Unrestricted	(24,590,299)	19,369,832	(5,220,467)
Total net position	128,207,361	114,622,683	242,830,044
Total liabilities, deferred inflows of resources, and net position	\$ 227,088,384	157,145,331	384,233,715

See independent auditor's report. 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, 2022

Functions/Programs	Expenses	Program Revenues			Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position		
					Governmental Activities	Business- Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 8,739,133	829,932	7,191,217	-	(717,984)	-	(717,984)
Public safety	28,625,992	-	772,108	-	(27,853,884)	-	(27,853,884)
Public works	14,151,620	32,822	688,628	218,177	(13,211,993)	-	(13,211,993)
Culture and recreation	11,547,723	972,360	35,727	-	(10,539,636)	-	(10,539,636)
Health and welfare	647,102	937,581	-	-	290,479	-	290,479
Economic development	1,144,858	-	-	-	(1,144,858)	-	(1,144,858)
Interest on long-term obligations	336,223	-	-	-	(336,223)	-	(336,223)
Total governmental activities	65,192,651	2,772,695	8,687,680	218,177	(53,514,099)	-	(53,514,099)
Business-type activities							
Joint utility	13,681,905	12,545,685	-	123,677	-	(1,012,543)	(1,012,543)
Solid waste	4,814,467	7,057,819	-	111,000	-	2,354,352	2,354,352
Museum	10,267	4,507	-	-	-	(5,760)	(5,760)
Golf pro shop	2,222	-	-	-	-	(2,222)	(2,222)
Interest on long-term obligations	375,101	-	-	-	-	(375,101)	(375,101)
Total business-type activities	18,883,962	19,608,011	-	234,677	-	958,726	958,726
Total primary government	\$ 84,076,613	22,380,706	8,687,680	452,854	(53,514,099)	958,726	(52,555,373)
General Revenues:							
Gross receipts taxes					59,203,218	1,152,800	60,356,018
Property taxes, levied for general purposes					3,854,356	-	3,854,356
Lodgers' taxes					3,652,177	-	3,652,177
Cannabis excise taxes					64,302	-	64,302
Franchise taxes					901,185	-	901,185
Public service taxes					758,904	-	758,904
Licenses and permits					447,600	-	447,600
Fines					849,608	-	849,608
Interest income					94,544	57,602	152,146
Donations					185,550	-	185,550
Miscellaneous					479,025	66,015	545,040
Special item - Gain/(loss) on disposal of asset					(202,352)	(211,409)	(413,761)
Transfers					383,853	(383,853)	-
Total general revenues, special items, and transfers					70,671,970	681,155	71,353,125
Change in net position					17,157,871	1,639,881	18,797,752
Net position, beginning of year					111,049,490	112,982,802	224,032,292
Net position, end of year					\$ 128,207,361	114,622,683	242,830,044

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2022**

	General Fund (101)	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 39,077,070	18,200,635	57,277,705
Receivables, net	10,074,257	1,600,046	11,674,303
Leases receivable	981,368	-	981,368
Restricted:			
Cash	-	152,251	152,251
Total assets	<u>\$ 50,132,695</u>	<u>19,952,932</u>	<u>70,085,627</u>
Liabilities			
Accounts payable	\$ 445,732	613,065	1,058,797
Accrued salaries	1,750,659	73,279	1,823,938
Accrued liabilities	82,368	6,704	89,072
Advance grant and lease payments	11,540	47,763	59,303
Deposits payable	12,525	-	12,525
Due to other funds	112,616	-	112,616
Total liabilities	<u>2,415,440</u>	<u>740,811</u>	<u>3,156,251</u>
Deferred inflows of resources:			
Unavailable property tax revenue	304,721	-	304,721
Unavailable leases receivable	974,181	-	974,181
Unavailable charges for services	288,869	-	288,869
Total deferred inflows	<u>1,567,771</u>	<u>-</u>	<u>1,567,771</u>
Fund balances			
Nonspendable for:			
Leases	7,187	-	7,187
Restricted for:			
Public safety	-	746,732	746,732
Sports complex activities	-	1,404,720	1,404,720
State mandated per statutes	-	6,927,175	6,927,175
State mandated budget reserve	4,948,907	-	4,948,907
Construction and improvements	-	348,345	348,345
Committed for:			
City budget reserve	4,948,907	-	4,948,907
Subsequent years' expenditures	14,552,958	-	14,552,958
Assigned	-	9,785,149	9,785,149
Unassigned	21,691,525	-	21,691,525
Total fund balances	<u>46,149,484</u>	<u>19,212,121</u>	<u>65,361,605</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 50,132,695</u>	<u>19,952,932</u>	<u>70,085,627</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE TOTAL FUND BALANCE FROM THE BALANCE SHEET-
GOVERNMENTAL FUNDS TO THE TOTAL NET POSITION ON THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2022**

Total fund balance, governmental funds	\$	65,361,605
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets and right-to-use assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		139,272,402
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Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet:

Lease liability		(516,926)
Compensated absences		(1,242,561)
Net pension related deferrals and liability		(56,965,886)
Net OPEB related deferrals and liability		(23,909,056)

Other current liabilities are not available to pay for current period expenditures and therefore are deferred in the funds:

Lease liability		(333,695)
Compensated absences		(759,674)

Revenues not collected within sixty days after year end are considered "available" revenues and are considered to be "unavailable" revenues in the fund financial statements, but are considered revenue in the Statement of Activities:

Property taxes		304,721
Charges for services		288,869

Residual balances of the internal service funds are included within the governmental activities and are not reported in the governmental funds.		6,707,565
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Rounding		(3)
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Total Net Position of Governmental Activities	\$	<u>128,207,361</u>
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**STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund (101)	Non-Major Gov't Funds	Total Gov't Funds
<u>Revenues</u>			
Gross receipts taxes	\$ 52,576,127	6,627,091	59,203,218
Property taxes	3,849,771	-	3,849,771
Franchise taxes	901,185	-	901,185
Lodgers' taxes	-	3,652,177	3,652,177
Cannabis excise taxes	-	64,303	64,303
Public service taxes	-	758,904	758,904
Intergovernmental:			
Federal	83,438	4,852,959	4,936,397
State	2,180,691	1,788,770	3,969,461
Charges for services	2,647,057	96,679	2,743,736
Licenses and permits	331,457	116,143	447,600
Contributions and donations	185,550	-	185,550
Fines and forfeitures	-	849,608	849,608
Interest	60,474	11,372	71,846
Miscellaneous	463,098	-	463,098
Total revenues	<u>63,278,848</u>	<u>18,818,006</u>	<u>82,096,854</u>
<u>Expenditures</u>			
Current:			
General government	7,109,553	1,095,283	8,204,836
Public safety	24,277,209	2,841,558	27,118,767
Public works	8,797,354	1,114,971	9,912,325
Culture and recreation	6,214,432	3,029,686	9,244,118
Health and welfare	607,805	-	607,805
Economic development	1,085,474	63,145	1,148,619
Capital outlay	3,239,403	7,026,069	10,265,472
Debt service:			
Principal	147,889	7,034,751	7,182,640
Interest and other charges	2,086	353,232	355,318
Total expenditures	<u>51,481,205</u>	<u>22,558,695</u>	<u>74,039,900</u>
Excess (deficiency) of revenues over expenditures	11,797,643	(3,740,689)	8,056,954
<u>Other financing sources (uses)</u>			
Transfers in	5,784,431	7,242,550	13,026,981
Transfers (out)	(5,379,629)	(5,966,388)	(11,346,017)
Lease liabilities issued	643,258	6,948	650,206
Total other financing sources and (uses)	<u>1,048,060</u>	<u>1,283,110</u>	<u>2,331,170</u>
Net change in fund balances	12,845,703	(2,457,579)	10,388,124
Fund balance, beginning of year	33,303,781	21,669,700	54,973,481
Fund balance, end of year	<u>\$ 46,149,484</u>	<u>19,212,121</u>	<u>65,361,605</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Net change in fund balances - total governmental funds: \$ 10,388,124

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

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense:

Right-to-use asset capitalized	650,206
Capital expenditures recorded in capital outlay	9,620,723
Depreciation and amortization expense	(9,141,050)

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

(202,352)

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

Property taxes	4,585
Charges for services	28,958

The issuance of long-term obligations (notes, bonds, leases) provides current resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas amounts are deferred and amortized in the statement of activities:

Bond and note obligation principal payments	6,963,240
Principal payments on lease liabilities	219,401
Lease liabilities issued	(650,206)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in compensated absences	257,743
Change in accrued interest payable	19,095
Pension expense	(1,880,210)
OPEB revenue (expense)	2,472,032

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

(1,592,417)

Rounding	(1)
Change in net assets of governmental activities	\$ <u><u>17,157,871</u></u>

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, 2022

	Original Approved Budget	Final Approved Budget	Actual	Variances Favorable (Unfavorable)
Revenues				
Intergovernmental sources - federal	\$ 238,000	238,000	66,715	(171,285)
Intergovernmental sources - state	892,000	975,928	1,203,366	227,438
Local and state shared taxes	43,981,479	43,981,479	52,550,502	8,569,023
Property taxes	3,590,000	3,590,000	3,843,237	253,237
Franchise taxes	831,000	831,000	855,618	24,618
Licenses and permits	307,000	307,000	330,398	23,398
Charges for services	1,450,000	1,450,000	2,637,144	1,187,144
Interest	82,000	82,000	60,474	(21,526)
Donations	-	129,500	185,550	56,050
Other revenue	85,000	85,000	315,290	230,290
Total revenues	<u>51,456,479</u>	<u>51,669,907</u>	<u>62,048,294</u>	<u>10,378,387</u>
Expenditures				
Current:				
General government	8,264,005	8,501,475	7,479,900	1,021,575
Public safety	26,670,133	27,821,173	26,048,061	1,773,112
Public works	9,960,408	10,364,975	9,297,006	1,067,969
Health and welfare	638,820	681,610	595,685	85,925
Culture and recreation	6,934,894	7,636,588	6,612,143	1,024,445
Economic development	1,820,227	1,859,571	1,142,131	717,440
Capital outlay				
Capital outlay	5,098,398	5,757,347	2,677,110	3,080,237
Total expenditures	<u>59,386,885</u>	<u>62,622,739</u>	<u>53,852,036</u>	<u>8,770,703</u>
Excess (deficiency) of revenues over (under) expenditures	(7,930,406)	(10,952,832)	8,196,258	19,149,090
Other financing sources (uses)				
Transfers in	428,805	6,213,236	5,784,431	(428,805)
Transfers out	(2,020,000)	(2,690,000)	(2,379,669)	310,331
Total other financing sources (uses)	<u>(1,591,195)</u>	<u>3,523,236</u>	<u>3,404,762</u>	<u>(118,474)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>(9,521,601)</u>	<u>(7,429,596)</u>	<u>11,601,020</u>	<u>19,030,616</u>
Budgeted cash carryover	<u>9,521,601</u>	<u>7,429,596</u>		
Total	<u>\$ -</u>	<u>-</u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ 11,601,020	
To adjust applicable revenue accruals and deferrals			1,873,814	
To adjust applicable expenditure accruals			(629,130)	
Rounding			(1)	
Change in fund balance (GAAP basis)			<u>\$ 12,845,703</u>	

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF NET POSITION- PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Business - Type Activities - Enterprise Funds				Governmental
	Joint Water and Sewer Fund (700)	Solid Waste Fund (720)	Non-Major Enterprise Funds	Total	Activities Internal Service Funds
Assets					
Current assets					
Cash	\$ 10,068,641	12,318,887	15,163	22,402,691	5,208,760
Receivables, net	1,329,586	517,818	30	1,847,434	12,685
Due from other funds	145,593	-	-	145,593	-
Inventory	933,948	-	32,977	966,925	-
Total current assets	12,477,768	12,836,705	48,170	25,362,643	5,221,445
Noncurrent assets					
Restricted cash	10,855,612	4,878,641	-	15,734,253	1,489,055
Restricted cash held by fiscal agent	240,864	-	-	240,864	-
Capital Assets:					
Land and construction in progress	1,310,701	10,000	-	1,320,701	-
Other capital assets, net of accumulated depreciation and amortization	108,700,632	4,479,084	-	113,179,716	-
Total noncurrent assets	121,107,809	9,367,725	-	130,475,534	1,489,055
Deferred outflows of resources					
Pension related	507,911	206,849	-	714,760	-
OPEB related	462,231	163,140	-	625,371	-
Total deferred outflows of resources	970,142	369,989	-	1,340,131	-
Total assets and deferred outflows of resources	\$ 134,555,719	22,574,419	48,170	157,178,308	6,710,500
Liabilities					
Current liabilities					
Accounts payable	\$ 172,456	243,450	2,222	418,128	2,935
Accrued salaries	223,080	85,126	-	308,206	-
Accrued liabilities	76,692	-	37	76,729	-
Accrued interest payable	160,954	-	-	160,954	-
Customer deposits	598,097	-	-	598,097	-
Due to other funds	-	-	32,977	32,977	-
Current maturities of liabilities:					
Notes payable	1,644,773	-	-	1,644,773	-
Leases payable	5,990	1,840	-	7,830	-
Compensated absences	84,465	29,290	-	113,755	-
Total current liabilities	2,966,507	359,706	35,236	3,361,449	2,935
Noncurrent liabilities					
Notes payable	26,676,487	-	-	26,676,487	-
Leases payable	114,642	6,201	-	120,843	-
Compensated absences	145,953	45,177	-	191,130	-
Landfill closure and post-closure	-	495,865	-	495,865	-
Net pension liability	4,486,888	1,501,859	-	5,988,747	-
Net OPEB liability	1,728,672	610,120	-	2,338,792	-
Total noncurrent liabilities	33,152,642	2,659,222	-	35,811,864	-
Total liabilities	36,119,149	3,018,928	35,236	39,173,313	2,935
Deferred inflows of resources					
Pension related	1,473,396	515,510	-	1,988,906	-
OPEB related	1,029,909	363,497	-	1,393,406	-
Total deferred inflows of resources	2,503,305	879,007	-	3,382,312	-
Net position					
Net investment in capital assets	81,569,441	4,481,043	-	86,050,484	-
Restricted:					
Debt service	241,173	-	-	241,173	-
Endowment:					
Expendable	8,961,194	-	-	8,961,194	-
Unrestricted	5,161,457	14,195,441	12,934	19,369,832	6,707,565
Total net position	95,933,265	18,676,484	12,934	114,622,683	6,707,565
Total liabilities, deferred inflows of resources and net position	\$ 134,555,719	22,574,419	48,170	157,178,308	6,710,500

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Business - Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Joint Water and Sewer Fund (700)	Solid Waste Fund (720)	Non-Major Enterprise Funds	Total	
<u>Operating revenues</u>					
Charges for services	\$ 12,545,685	7,057,819	4,507	19,608,011	7,519,316
<u>Operating expenses</u>					
Personnel services	4,692,860	2,059,188	-	6,752,048	-
Utilities	1,117,408	467	8	1,117,883	-
Contractual services	547,000	192,120	1,138	740,258	-
Repairs and maintenance	1,168,625	407,153	-	1,575,778	-
Insurance claims and expenses	-	-	-	-	6,337,535
Other supplies and expenses	612,610	1,456,395	11,343	2,080,348	1,515,713
Depreciation and amortization	5,543,402	699,144	-	6,242,546	-
Total operating expenses	13,681,905	4,814,467	12,489	18,508,861	7,853,248
Operating income (loss)	(1,136,220)	2,243,352	(7,982)	1,099,150	(333,932)
<u>Non-operating revenues (expenses)</u>					
Gross receipts taxes	-	1,152,800	-	1,152,800	-
Intergovernmental	123,677	111,000	-	234,677	-
Investment income	42,627	14,975	-	57,602	7,721
Miscellaneous	35,352	21,064	9,599	66,015	30,905
Gain/(loss) on sale of assets	(136,409)	(75,000)	-	(211,409)	-
Interest expense	(354,949)	(20,152)	-	(375,101)	-
Total non-operating revenue (expenses)	(289,702)	1,204,687	9,599	924,584	38,626
Income (loss) before capital contributions and transfers	(1,425,922)	3,448,039	1,617	2,023,734	(295,306)
<u>Capital contributions and transfers</u>					
Transfers in	3,735,814	1,349,873	-	5,085,687	1,300,000
Transfers (out)	(4,007,137)	(1,462,403)	-	(5,469,540)	(2,597,111)
Total capital contributions and transfers	(271,323)	(112,530)	-	(383,853)	(1,297,111)
Change in net position	(1,697,245)	3,335,509	1,617	1,639,881	(1,592,417)
Net position, beginning of year	97,630,510	15,340,975	11,317	112,982,802	8,299,982
Net position, end of year	\$ 95,933,265	18,676,484	12,934	114,622,683	6,707,565

See independent auditor's report. 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, 2022**

	Business - Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Joint Water and Sewer Fund (700)	Solid Waste Fund (720)	Non-Major Enterprise Funds	Total	
<u>Cash flows from operating activities</u>					
Cash received from customers	\$ 12,806,118	7,337,810	4,513	20,148,441	-
Internal activity - receipts from other funds	-	-	-	-	7,521,668
Cash payments to suppliers for goods and services	(4,011,402)	(2,384,118)	(10,294)	(6,405,814)	-
Cash payments to employees for services	(4,797,073)	(2,082,387)	-	(6,879,460)	(7,857,121)
Net cash provided (used) by operating activities	3,997,643	2,871,305	(5,781)	6,863,167	(335,453)
<u>Cash flows for non-capital and financing activities</u>					
Cash received from gross receipts taxes	-	1,152,800	-	1,152,800	-
Intergovernmental revenues	123,677	111,000	-	234,677	-
Utility deposit, GRT, and miscellaneous receipts	35,352	21,064	9,599	66,015	30,905
Net transfers in (out)	(271,323)	(112,530)	-	(383,853)	(1,297,111)
Net cash provided (used) by non-capital and related financing activities	(112,294)	1,172,334	9,599	1,069,639	(1,266,206)
<u>Cash flows for capital and financing activities</u>					
Acquisition of capital assets	(2,629,117)	(1,985,309)	-	(4,614,426)	-
Principal payments on capital debt	(2,990,897)	(481,746)	-	(3,472,643)	-
Interest on capital debt	(354,949)	(20,152)	-	(375,101)	-
Net cash (used) by capital and related financing activities	(5,974,963)	(2,487,207)	-	(8,462,170)	-
<u>Cash flows from investing activities</u>					
Investment income	42,627	14,975	-	57,602	7,721
Net cash provided (used) by investing activities	42,627	14,975	-	57,602	7,721
Net increase (decrease) in cash	(2,046,987)	1,571,407	3,818	(471,762)	(1,593,938)
Cash and cash equivalents, beginning of year	23,212,104	15,626,121	11,345	38,849,570	8,291,753
Cash and cash equivalents, end of year	\$ 21,165,117	17,197,528	15,163	38,377,808	6,697,815
Displayed as					
Cash	\$ 10,068,641	12,318,887	15,163	22,402,691	5,208,760
Restricted cash	10,855,612	4,878,641	-	15,734,253	1,489,055
Restricted cash held be fiscal agent	240,864	-	-	240,864	-
Total cash	\$ 21,165,117	17,197,528	15,163	38,377,808	6,697,815
<u>Reconciliation of operating income (loss) to net cash provided by operating activities:</u>					
Operating income (loss)	\$ (1,136,220)	2,243,352	(7,982)	1,099,150	(333,932)
Adjustment to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	5,543,402	699,144	-	6,242,546	-
Landfill closure & post closure liability	-	(90,986)	-	(90,986)	-
Pension expense	180,212	63,604	-	243,816	-
OPEB expense/revenue	(237,427)	(83,798)	-	(321,225)	-
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	260,433	279,991	6	540,430	22,763
(Increase) decrease in inventories	21,275	-	-	21,275	-
Increase (decrease) in accounts payable	(587,034)	(236,997)	2,221	(821,810)	(24,284)
Increase (decrease) in accrued salaries	19,369	(2,133)	-	17,236	-
Increase (decrease) in accrued liabilities	(23,833)	(1,378)	(26)	(25,237)	-
Increase (decrease) in compensated absences	(42,534)	506	-	(42,028)	-
Total adjustments	5,133,863	627,953	2,201	5,764,017	(1,521)
Net cash provided (used) by operating activities	\$ 3,997,643	2,871,305	(5,781)	6,863,167	(335,453)

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF JUNE 30, 2022

	Custodial Funds
Assets	
Cash	\$ 95,875
Total assets	<u>95,875</u>
Liabilities	
Accounts payable	<u>4,880</u>
Total liabilities	<u>4,880</u>
Net position	
Restricted for:	
Individuals, other governments	<u>90,995</u>
Total net position	<u>\$ 90,995</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022**

	Custodial Funds
Additions	
Lease - misc.	\$ 12,086
Other income - insurance refund	3,323
Fees	124,731
Total additions	<u>140,140</u>
Deductions	
Insurance	5,444
Professional contracts	68,740
Fee payments	21,916
Total deductions	<u>96,100</u>
Net increase (decrease) in fiduciary net position	44,040
Net position, beginning	<u>46,955</u>
Net position, ending	<u>\$ 90,995</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1. ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

GASB Statement 87, Leases

GASB 87, Leases, was adopted in fiscal year 2022 and requires recognition of lease assets and liabilities for non-cancellable agreements greater than one year in duration. The City has entered into lease agreements as both the lessor and lessee, and as such has recognized the corresponding receivables, payables, intangible assets, and deferred inflows required under this statement. The lease agreements have been recorded at the present value of the future lease payments as of the date of their inception or, for leases existing prior to the implementation year, at the remaining terms of the agreement, using the facts and circumstances available at July 1, 2021. It was not considered practicable to restate beginning balances in the capital assets (Note 9) and lease liability (Note 11) tables.

A. Reporting Entity

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

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

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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.

The City entered into a partnership with the Eddy-Lea Energy Alliance (ELEA) which combines City of Carlsbad, City of Hobbs, Eddy County and Lea County, to jointly develop a proposal for a technology- demonstration program to be undertaken by the United States Department of Energy in support of the Global Nuclear Energy Partnership. The City performs fiduciary and administrative services for ELEA. The financial responsibility is split equally between the four entities involved. While the City has a presence on the ELEA board, they do not have a majority vote and do not have the ability to exercise oversight responsibility. Therefore, this entity does not meet the requirements to be presented as a component unit of the City.

B. Basis of Presentation

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

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from the business-type activities, which rely to a significant extent on fees and charges for support. The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized in accordance with the requirements of GASB 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

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

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB 34 sets forth minimum criteria (percentage of assets, liabilities, revenues, or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

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

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,

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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.

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.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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 and amortization 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 type:

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

Additionally, the City reports the following fund types:

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The statements of fiduciary activities are presented using the economic resources measurement focus and the accrual basis of accounting. The statement of fiduciary net position reports assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position of custodial funds. The statement of changes in fiduciary

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net position is used to report additions and deductions from the City's custodial funds. The City has no pension, employee benefit trust funds, investment trust funds, or private-purpose funds.

The City reports the following Major Governmental Fund:

The *General Fund* (101,102) 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 City reports the following major business-type funds:

The *Joint Water and Sewer Fund* (700) 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 *Solid Waste Fund* (720) 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 City maintains other individual governmental funds that are considered non-major funds and which are classified as special revenue funds, capital project funds, and debt service funds. A description of each non-major governmental fund is as follows:

Special Revenue Funds

The *Airport Fund* (202) 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 *Sports Complex Fund* (300) 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.

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The *Local Government Corrections Fund* (350) 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 *Cannabis Revenue Fund* (360) accounts for cannabis revenues and regulated expenditures in accordance with the New Mexico Cannabis Regulation Act.

The *Fire Protection Fund* (500) accounts for proceeds of the state fire allotment and the related expenditures for public safety. 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-I, 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 *Emergency Medical Services Fund* (501) accounts for the state emergency medical services grant, to be used for specific medical services provided through fire department activities. This state grant comes through the New Mexico Department of Health per EMS regulation DOH 94-11. The fund was created by local ordinance. Section 24-IOA-I to 24-IOA-IO, NMSA 1978 provides funds to municipalities for use in the establishment and enhancement of local emergency medical services. Section 24-IOA-7, NMSA 1978 restricts expenditures from the fund for only emergency medical services.

The *Law Enforcement Protection Fund* (520) 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 *Municipal Transit Fund* (570) 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 *Community Development Fund* (580) accounts for funds received for community development and improvements funded under New Mexico Community Development Block

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Grants pursuant to the U.S. Department of Housing and Urban Development Title I grant. The fund is authorized by city council.

The *American Rescue Plan Act (ARPA) Fund* (590) accounts for funds received in connection with the Coronavirus State and Local Fiscal Recovery Funds.

The *Lodgers' Tax Fund* (600, 650, 680) 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-IS(E), NMSA 1978, restricts the use of the tax for advertising, publicizing and promoting, establishing and operating tourist-related attractions, facilities, and events.

Capital Project Funds

The *GRT Capital Outlay Fund* (200), is a capital projects fund that accounts for receipts and disbursements and gross receipts taxes for capital outlay projects. The fund is authorized by city council.

The *CIEP Fund* (201) 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 *Street System Improvement Fund* (320) accounts for funds receipts and disbursements for City street improvements and maintenance. Financing is provided from motor vehicle fees and state and county grants. The authority for the fund is given by section 7-1-6.27, NMSA and the City's ordinance number 389.

The *Beautification Fund* (550) 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.

Debt Service Funds

The *GRT Capital Outlay Fund* (802) accounts for the receipts and disbursements for the payment of the 2009 revenue bonds. Financing is provided by gross receipts taxes collected in the GRT capital outlay fund. The fund is authorized by city council and is in conformance with bond covenants.

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The *NM Finance Authority Loan Fund* (820) accounts for the receipts and disbursements for the repayment of loans to the New Mexico Finance Authority recorded as governmental activities. Transfers from fire protection and sports complex funds provide reserves to reduce loan obligations. The fund is authorized by city council and is in conformance with loan covenants.

The City maintains two individual fiduciary funds, which all are classified as custodial funds. A description of each fund is as follows:

The *Municipal Court Bond Trust Fund* (920) accounts for monies held in trust by the municipal judge to reduce court fines, costs, and administrative fees. Any unused funds available after the reduction of fines and fees are returned to the defendant.

The *Eddy-Lea Energy Alliance* (980) accounts for monies held in trust and administered on behalf of the Eddy-Lea Energy Alliance, which operates under a joint powers agreement entered into by the Lea County and Eddy County, with the support of the cities of Hobbs and Carlsbad.

The City maintains individual enterprise funds that are considered non-major funds. Descriptions of the non-major funds are as follows:

The *Museum Gift Shop Fund* (750) accounts for the receipts and disbursements of the operations of the museum gift shop. The fund is authorized by city council.

The *Golf Pro Shop Fund* (790) accounts for the receipts and disbursements of the operations of the golf pro shop. The fund is authorized by city council.

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

The *General Insurance Fund* (401,402) 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.

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The *Group Health Insurance Fund* (420) 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* (400) 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 1 to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1st with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

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

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

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information presented in these financial statements has been amended in accordance with the above procedures.

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

Deposits and Investments

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

Interfund Receivables and Payables

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

Lease Receivables

The City's lease receivables are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

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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.

Expendable Endowment

The Permanent Water and Sewer Expendable Endowment Fund is a trust and agency fund associated with and presented as part of the Joint Water and Sewer enterprise fund. It is authorized by City Ordinance Chapter 52, Article I. The original principal for this fund came from the sale of water rights at the Harroun Farm. The revenue source is from interest on investments held in a trust account or certificates of deposit. This fund can transfer money to the Sewer System Improvement Fund or the Joint Water and Sewer Enterprise Fund for financing, acquisition, and upgrades of sewer system and water system facilities within the City. Expenditures from this fund are restricted to water and sewer system acquisition and improvements. In addition, only the investment earnings can be spent annually; the principal corpus cannot be spent unless approved by a vote of the citizens. Any investment earnings not spent each year, reverts to the principal corpus of the fund.

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.

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Capital Assets

Property, plant, and equipment purchased or acquired is carried at historical cost or estimated cost. Contributed capital 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 capital 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.

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

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

Right-to Use Lease Assets

The City has recorded right-to-use lease assets as a result of implementing GASB 87. Lease payables are capitalized as a right-to-use asset when the leased asset has a cost of \$25,000 or greater and an estimated useful life of more than one year. Right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term plus any upfront payments and ancillary charges paid to place the leased asset in service. Amortization for right-to-use leased assets is computed using the straight-line method over the shorter of the lease term or the asset's estimated useful life.

Vacation Pay

Employees of the City may accrue a total of ten to thirty days of vacation per year. A maximum of seventy-five days may be accumulated for managers. A maximum of fifty days of vacation may be accumulated for administration employees compensated on an hourly basis. Union employees (USW, CPOA, & IBEW) compensated on an hourly basis may accumulate up to forty-five days of vacation, while IAFF employees may accumulate up to thirty days of vacation. Executive officers may accrue thirty-one and a half days of paid time off per year with no maximum accumulation. All vacation and time off compensation are accrued when incurred in

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the government-wide and proprietary fund financial statements. A liability is reported in the government-wide and proprietary funds classified as compensated absences.

Sick Leave

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet for the governmental, proprietary and fiduciary funds will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then.

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In addition to liabilities, the statement of net position and/or the balance sheet for the governmental, proprietary and fiduciary funds will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue.

Unavailable Revenue

The City reports unavailable revenue on its financial statements. When resources are received in advance of charges for services being earned, or in advance of any eligibility requirement, other than a time requirement being met for government-mandated or voluntary nonexchange transactions (i.e. for intergovernmental revenues), a liability is reported for the unavailable revenue.

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

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as, bond issuance costs, during the year of issuance. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported

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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 and obligations.

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.

Governmental Fund Balance Reservation and Designations

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form such as prepaid items, leases receivable in excess of deferred inflow of resources, 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

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the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have specifically committed for use in satisfying those contractual requirements.

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

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

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

Minimum Fund Balance Policy

The New Mexico Department of Finance and Administration (DFA) requires that 1/12 of the 2023 budget's expenditures in the General Fund be restricted as subsequent-year expenditures to provide adequate cash reserves. The City follows this requirement in order to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies.

F. Other Matters

Cash Flows

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

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the City's financial statements

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include management's estimate of the following: estimated useful lives of capital assets, calculations of compensated absences, landfill closure and post-closure care costs, inputs and methods related to calculating lease liability and receivables, allowance for uncollectable accounts for ambulance receivables and in the joint utility and solid waste funds, and inputs and methods related to pension and OPEB balances and activity.

NOTE 2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

New Mexico state statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest-bearing checking accounts in one or more bank or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral 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 five financial institutions within Carlsbad, New Mexico as well as cash held by NMFA. The City's deposits are carried at cost, which approximates fair value.

As of June 30, 2022, 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.

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The locations and amounts deposited are as follows:

	Per Institution	Reconciling Items	Per Financial Statements
Cash on hand	\$ 9,750	-	9,750
Carlsbad National Bank	18,432,353	(1,955,125)	16,477,228
First American Bank	3,006,300	-	3,006,300
Pioneer Savings Bank	10,693,944	-	10,693,944
Wells Fargo Bank	51,903,068	737,291	52,640,359
Western Commerce Bank	20,327,184	(794,175)	19,533,009
Cash held by NMFA	240,864	-	240,864
Total	<u>\$ 104,613,463</u>	<u>(2,012,009)</u>	<u>102,601,454</u>

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

<u>Statement of Net Position</u>	<u>Amount</u>
Cash	\$ 84,889,156
Restricted	17,375,559
Restricted - held by NMFA	240,864
Total	<u>102,505,579</u>
 Custodial funds	 <u>95,875</u>
Total cash	<u>\$ 102,601,454</u>

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

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	Carlsbad National Bank	First American Bank	Pioneer Savings Bank	Wells Fargo Bank, N.A.	Western Commerce Bank
Total deposits in bank	\$ 18,432,353	3,006,300	10,693,944	51,903,068	20,327,184
Less FDIC coverage	(250,000)	(250,000)	(250,000)	(250,000)	(500,000)
Uninsured public funds	18,182,353	2,756,300	10,443,944	51,653,068	19,827,184
Pledged collateral held by pledging bank's trust, but not in the City's name	10,180,256	1,804,345	5,852,414	27,231,368	11,356,028
Uninsured and uncollateralized public funds	8,002,097	951,955	4,591,530	24,421,700	8,471,156
Total pledged collateral	10,180,256	1,804,345	5,852,414	27,231,368	11,356,028
50% pledged collateral requirement per state statute	9,091,177	1,378,150	5,221,972	25,826,534	9,913,592
Pledged collateral (under) over the requirements	\$ 1,089,080	426,195	630,442	1,404,834	1,442,436

A detailed listing of the pledged collateral is contained in the supplementary 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, 2022, \$102,862,849 of the City's bank balance of \$104,362,849 was exposed to custodial credit risk as follows:

	Carlsbad National Bank	First American Bank	Pioneer Savings Bank	Wells Fargo Bank, N.A.	Western Commerce Bank
Uninsured and collateralized held by pledging bank's trust dept. or agent not in the City name	\$ 18,182,353	2,756,300	10,443,944	51,653,068	19,827,184

NOTE 3. RESTRICTED CASH HELD BY FISCAL AGENT

The City has entered into various loan agreements with the New Mexico Finance Authority. As required by the loan agreements, any unexpended loan proceeds are maintained by NMFA until

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needed by the City. Additionally, the City is required to set aside reserve amounts for the debt obligations. As of June 30, 2022, NMFA held \$240,864.

NOTE 4. RESTRICTED INVESTMENTS

Investments Held by Fiscal Agent

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

NOTE 5. RECEIVABLES

Receivables, net of allowance for doubtful accounts, at June 30, 2022, consisted of the following:

<u>Types of Receivables</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Internal Service Activities</u>	<u>Totals</u>
Accounts receivable				
Charges for services	\$ 541,592	1,970,925	-	2,512,517
Other	208,665	30	12,685	221,380
Allowance for doubtful accounts	(92,813)	(291,061)	-	(383,874)
Total	657,444	1,679,894	12,685	2,350,023
Taxes receivable				
Gross receipts taxes	8,793,404	167,540	-	8,960,944
Franchise taxes	150,629	-	-	150,629
Property taxes	428,579	-	-	428,579
Lodgers' taxes	320,314	-	-	320,314
Other taxes	111,583	-	-	111,583
Allowance for doubtful accounts	(8,572)	-	-	(8,572)
Total	9,795,937	167,540	-	9,963,477
Intergovernmental receivables				
Federal	115,905	-	-	115,905
State	1,071,949	-	-	1,071,949
Local	33,065	-	-	33,065
Total	1,220,919	-	-	1,220,919
Receivables, net	11,674,300	1,847,434	12,685	13,534,419
Leases receivable	981,368	-	-	981,368
Total receivables	\$ 12,655,668	1,847,434	12,685	14,515,787

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Leases Receivable

The City entered into multiple building leases. The City's lessor leasing arrangements at June 30, 2022 are summarized below (excluding short-term leases):

	Lease Receivable Balance June 30, 2022	Current Portion	Number of Lease Contracts	Lease Terms*	Interest Rates
<u>Governmental Activities</u>					
Lessor					
Buildings	\$ 981,367	\$ 65,649	4	3-28 years	0.50% - 1.75%
Total leases receivable	<u>\$ 981,367</u>	<u>65,649</u>			

*The lease terms represent the range of remaining terms in each lease.

For the year ended June 30, 2022, the City recognized the following lease income and interest earned on leases:

<u>Governmental Activities</u>	<u>2022</u>
Lease income	\$ 72,261
Lease interest	\$ 14,978

NOTE 6. REGULATED LEASES

Certain leases are subject to external laws, regulations, and legal rulings and are not subject to paragraphs 44-59 of GASB 87. Leases regulated by the Federal Aviation Administration between airports and air carriers fall under this classification. The City has several leases that are considered to be regulated leases under this definition. Regulated lessors recognize inflows of resources based on the payment provisions of the lease contract.

As of June 30, 2022, the City had at least six active regulated leases which allowed use of hangars and access to the runway, or tower. Use of the hangars are exclusive under these agreements, but runway and tower access are not.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
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FOR THE YEAR ENDED JUNE 30, 2022**

For the year ended June 30, 2022, the City recognized the following in lease income on regulated airport leases:

<u>Government-type Activities</u>	<u>2022</u>
Regulated lease income	\$ 27,057

During the year the City did not recognize any variable payment amounts and no debt is secured by these lease payments.

The future minimum lease payments under these agreements in government-type activities as of June 30, 2022, were as follows:

	<u>Regulated Airport Leases</u>
2023	\$ 25,600
2024	16,946
2025	15,626
2026	15,699
2027	15,939
2028-2032	74,118
2033-2037	72,494
2038-2042	76,004
2043-2047	79,957
2048-2052	59,639
	<u>\$ 452,022</u>

NOTE 7. PROPERTY TAX

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
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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 2021, was 6.062 per \$1,000 for non-residential and 4.656 for residential property.

NOTE 8. BAD DEBT EXPENSE

Governmental Activities

During the current fiscal year, the City recorded an allowance on all receivables related to ambulance fees over 180 days, as well as an additional charge of 1%, which amounted to \$92,813 in total. Ambulance fees are reflected as public safety charges for services in the government-wide statement of activities and charges for services within the general fund.

Business-Type Activities

During the current fiscal year, the City's policy has been to record an allowance of 15% of sales. Total allowance as of June 30, 2022, is \$291,061.

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**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 9. CAPITAL ASSETS

Capital assets, including right-to-use leased assets, for the fiscal year ended June 30, 2022, are as follows:

<u>Governmental Activities</u>	<u>Balance 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers & Adjustments</u>	<u>Balance 2022</u>
<i>Non-Depreciable Capital Assets</i>					
Land	\$ 2,062,549	-	-	-	2,062,549
Construction in progress	3,982,923	3,235	-	(2,727,625)	1,258,533
Total non-depreciable capital assets	6,045,472	3,235	-	(2,727,625)	3,321,082
<i>Capital Assets Being Depreciated</i>					
Buildings	90,036,724	1,164,838	(93,753)	2,673,453	93,781,262
Improvements	4,445,314	164,013	-	23,012	4,632,339
Infrastructure	116,889,993	5,229,774	(607,369)	-	121,512,398
Machinery, equipment & vehicles	33,423,743	3,058,863	(715,927)	68,281	35,834,960
Total capital assets being depreciated	244,795,774	9,617,488	(1,417,049)	2,764,746	255,760,959
<i>Less Accumulated Depreciation For:</i>					
Buildings	(40,332,917)	(2,606,266)	10,663	-	(42,928,520)
Improvements	(836,756)	(493,427)	-	-	(1,330,183)
Infrastructure	(48,831,315)	(3,669,791)	598,014	-	(51,903,092)
Machinery, equipment & vehicles	(22,915,199)	(2,150,366)	606,020	(37,121)	(24,496,666)
Total accumulated depreciation	(112,916,187)	(8,919,850)	1,214,697	(37,121)	(120,658,461)
Total capital assets being depreciated, net	131,879,587	697,638	(202,352)	2,727,625	135,102,498
<i>Amortizable assets</i>					
Right-to-use leased equipment	-	1,070,022	-	-	1,070,022
Total amortizable assets	-	1,070,022	-	-	1,070,022
<i>Less accumulated amortization</i>					
Right-to-use leased equipment	-	(221,200)	-	-	(221,200)
Total accumulated amortization	-	(221,200)	-	-	(221,200)
Total amortizable assets being amortized, net	-	848,822	-	-	848,822
Total capital assets, net of depreciation and amortization	\$ 137,925,059	1,549,695	(202,352)	-	139,272,402

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CITY OF CARLSBAD
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FOR THE YEAR ENDED JUNE 30, 2022**

<u>Business-type Activities</u>	<u>Balance 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers & Adjustments</u>	<u>Balance 2022</u>
<i>Non-Depreciable Capital Assets</i>					
Land and water rights	\$ 1,317,325	261	-	-	1,317,586
Construction in progress	50,887	3,145	(2,799)	(48,118)	3,115
Total non-depreciable capital assets	<u>1,368,212</u>	<u>3,406</u>	<u>(2,799)</u>	<u>(48,118)</u>	<u>1,320,701</u>
<i>Capital Assets Being Depreciated</i>					
Buildings and improvements	44,745,768	122,968	(30,260)	-	44,838,476
Machinery, equipment & vehicles	19,451,496	2,455,193	(552,695)	(37,121)	21,316,873
Utility system & facility	<u>111,056,740</u>	<u>2,027,176</u>	<u>(3,006,540)</u>	<u>48,118</u>	<u>110,125,494</u>
Total capital assets being depreciated	175,254,004	4,605,337	(3,589,495)	10,997	176,280,843
<i>Less Accumulated Depreciation For:</i>					
Buildings and improvements	(22,795,311)	(1,768,528)	29,179	-	(24,534,660)
Utility system & facility	(24,194,144)	(2,913,475)	3,006,540	(768,007)	(24,869,086)
Machinery, equipment & vehicles	<u>(13,421,760)</u>	<u>(1,552,331)</u>	<u>345,166</u>	<u>805,128</u>	<u>(13,823,797)</u>
Total accumulated depreciation	<u>(60,411,215)</u>	<u>(6,234,334)</u>	<u>3,380,885</u>	<u>37,121</u>	<u>(63,227,543)</u>
Total capital assets being depreciated, net	114,842,789	(1,628,997)	(208,610)	48,118	113,053,300
<i>Amortizable assets</i>					
Right-to-use leased equipment	-	134,628	-	-	134,628
Total amortizable assets	<u>-</u>	<u>134,628</u>	<u>-</u>	<u>-</u>	<u>134,628</u>
<i>Less accumulated amortization</i>					
Right-to-use leased equipment	-	(8,212)	-	-	(8,212)
Total accumulated amortization	<u>-</u>	<u>(8,212)</u>	<u>-</u>	<u>-</u>	<u>(8,212)</u>
Total amortizable assets being amortized, net	<u>-</u>	<u>126,416</u>	<u>-</u>	<u>-</u>	<u>126,416</u>
Total capital assets, net of depreciation and amortization	<u>\$ 116,211,001</u>	<u>(1,499,175)</u>	<u>(211,409)</u>	<u>-</u>	<u>114,500,417</u>

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**STATE OF NEW MEXICO
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FOR THE YEAR ENDED JUNE 30, 2022**

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

<u>Governmental activities</u>	
General Government	\$ 867,117
Public Safety	1,532,910
Public Works	4,292,640
Culture & Recreation	2,367,728
Health & Welfare	79,219
Economic Development	1,436
Total	<u>\$ 9,141,050</u>
<u>Business-type activities</u>	
Solid Waste	\$ 699,144
Joint Water and Sewer	5,543,402
Total	<u>\$ 6,242,546</u>

NOTE 10. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2022, consisted of the following:

Description	Governmental Activities	Business Type Activities
State tax payable	\$ 82,368	76,729
Court related fees	6,704	-
Total	<u>\$ 89,072</u>	<u>76,729</u>

NOTE 11. LONG-TERM OBLIGATIONS

Changes in governmental activities obligations during the year ended June 30, 2022, were as follows:

Governmental Activities	Balance 2021	Additions	Retirements	Balance 2022	Amounts Due Within One Year
Notes payable	\$ 6,963,240	-	(6,963,240)	-	-
Lease liability	-	1,070,022	(219,401)	850,621	333,695
Compensated absences	2,259,978	1,785,359	(2,043,102)	2,002,235	759,674
Net pension liability	74,048,792	3,882	(26,064,967)	47,987,707	-
Net OPEB liability	23,387,972	-	(5,389,441)	17,998,531	-
Total	<u>\$ 106,659,982</u>	<u>2,859,263</u>	<u>(40,680,151)</u>	<u>68,839,094</u>	<u>1,093,369</u>

**STATE OF NEW MEXICO
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FOR THE YEAR ENDED JUNE 30, 2022**

Compensated Absences

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, 2022, were as follows:

<u>Business-Type Activities</u>	<u>Balance 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 2022</u>	<u>Amounts Due Within One-Year</u>
Notes payable	\$ 31,793,633	-	(3,472,373)	28,321,260	1,644,773
Lease liability	-	134,628	(5,955)	128,673	7,830
Landfill closure	586,851	-	(90,986)	495,865	-
Compensated absences	346,913	292,984	(335,012)	304,885	113,755
Net pension liability	9,375,720	-	(3,386,973)	5,988,747	-
Net OPEB liability	3,039,115	-	(700,323)	2,338,792	-
Total	<u>\$ 45,142,232</u>	<u>427,612</u>	<u>(7,991,622)</u>	<u>37,578,222</u>	<u>1,766,358</u>

NMED—Note Payable—Wastewater Utility System Improvements

On April 29, 2010, the City entered into a clean water state revolving loan agreement with the New Mexico Environment Department, with a total maximum amount of \$18,000,000. The proceeds of the loan agreement will be used for improvements to the City's wastewater utility system. During FY21, the City refinanced this loan at an annual interest rate of 1.0% and a maturity date of September 29, 2037. The payments of principal and interest will be paid with net revenues from the City's water and wastewater utility system activities, which was approximately \$12.5 million for the year ended June 30, 2022.

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The annual requirements to amortize this note outstanding as of June 30, 2022, including interest payments, are as follows:

	Principal	Interest	Total
2023	\$ 930,668	159,719	1,090,387
2024	939,975	150,412	1,090,387
2025	949,374	141,013	1,090,387
2026	958,868	131,519	1,090,387
2027	968,457	121,930	1,090,387
2028-2032	4,989,504	462,434	5,451,938
2033-2037	5,244,019	207,919	5,451,938
Thereafter	991,075	9,911	1,000,986
Total	\$ 15,971,940	1,384,857	17,356,797

NMFA # 11—Note Payable—Drinking Water Loan

On November 22, 2013, the City entered into a drinking water state revolving loan fund agreement with the New Mexico Finance Authority, with a total amount of \$20,200,000 of which the loan portion of the agreement is a maximum of \$16,151,670. The note is for twenty years and accrues interest at 2.00% per annum. The proceeds of the loan agreement will be used for improvements to the City's Double Eagle water line system. The payments of principal and interest will be paid with net revenues from the City's water utility system activities, which was approximately \$12.5 million for the year ended June 30, 2022.

The annual requirements to amortize this note outstanding as of June 30, 2022, including interest payments, are as follows:

	Principal	Interest	Total
2023	\$ 714,105	246,986	961,091
2024	728,387	232,704	961,091
2025	742,955	218,136	961,091
2026	757,814	203,276	961,090
2027	772,971	188,120	961,091
2028-2032	4,103,022	702,430	4,805,452
2033-2037	4,530,066	275,386	4,805,452
Thereafter	-	-	-
Total	\$ 12,349,320	2,067,038	14,416,358

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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 \$3,177,075 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, 2022. 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.

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The following calculation details the current amount recognized for landfill closure and post closure care as of June 30, 2022:

Estimated landfill closure cost	\$ 2,044,582
Estimated landfill post-closure care cost	<u>1,132,493</u>
Total estimated closure and post-closure costs	<u>\$ 3,177,075</u>
 FY22 tonnage received	 113,169
conversion to compacted cubic yards in-place	<u>2</u>
Cubic yards	<u>\$ 226,338</u>
 FY21 capacity used to date	 4,126,009
FY22 tonnage received/capacity used	<u>226,338</u>
FY22 capacity used to date	<u>\$ 4,352,347</u>
 Total capacity used to date (approximately 3,927,777 gate cubic yards) as a percentage of total capacity (13,943,056 gate cubic yards including expansion)	 <u>31.22%</u>
 Total estimated closure and post-closure costs	 3,177,075
Total capacity used to date	<u>31.22%</u>
Estimated closure and post-closure care costs	<u>\$ 991,729</u>
 Estimated closure and post-closure care costs	 991,729
Prior year liability	<u>1,173,701</u>
Decrease in estimated liability	<u>\$ (181,972)</u>
 City of Carlsbad's portion (50%)	 <u>\$ (90,986)</u>
 Prior year liability recognized	 586,851
Increase/decrease in estimated liability	<u>(90,986)</u>
Estimated liability for the fiscal year ended June 30, 2021	<u>\$ 495,865</u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD
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Lease Liabilities

The City entered into multiple equipment leases. The City's lessee leasing arrangements at June 30, 2022 are summarized below (excluding short-term leases):

	Lease Liability Balance June 30, 2022	Current Portion	# of Lease Contracts	Remaining Lease Terms	Interest Rate
<u>Governmental Activities</u>					
Lessee					
Equipment	\$ 850,621	333,695	12	~2-4 years	0.50%
Total governmental activities	850,621	333,695			
<u>Business-Type Activities</u>					
Lessee					
Equipment	128,673	7,830	2	~ 5-22 years	.5% - 1.75%
Total business-type activities	128,673	7,830			
Total leases payable	\$ 979,294	341,525			

*The lease terms represent the range of remaining terms in each lease.

During the year, the City did not recognize any variable payment amounts.

The future minimum lease obligations of these minimum lease payments in governmental and business-type activities as of June 30, 2022 were as follows:

<u>Governmental Activities</u>			
Year Ending June 30,	Principal Payments	Interest Payments	Total
2023	\$ 333,695	3,363	337,058
2024	306,794	1,710	308,504
2025	154,663	578	155,241
2026	41,567	166	41,733
2027	13,902	9	13,911
	\$ 850,621	5,826	856,447

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<u>Business-Type Activities</u>			
<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	
<u>June 30,</u>	<u>Payments</u>	<u>Payments</u>	<u>Total</u>
2023	\$ 7,830	1,934	9,764
2024	8,039	1,863	9,902
2025	8,265	1,779	10,044
2026	8,495	1,697	10,192
2027	5,287	1,617	6,904
2028-2032	21,311	7,038	28,349
2033-2037	27,980	4,884	32,864
Thereafter	41,466	2,121	43,587
	<u>\$ 128,673</u>	<u>22,933</u>	<u>151,606</u>

NOTE 12. PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

General Information about the Pension Plan

Plan description – *Public Employees Retirement Fund* is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded. PERA issues a publicly available annual comprehensive financial report that can be obtained at <https://www.nmpera.org/financial-overview/>.

Benefits Provided - Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of

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retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II – The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions – See PERA's publicly available financial report and comprehensive annual financial report obtained at <http://saonm.org/> using the Audit Report Search function for agency 366, for the employer and employee contribution rates in effect for fiscal year 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions –

At June 30, 2022, the City reported a liability of \$53,976,453 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2021 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2021. There were no significant

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events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2021. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the City's proportion was 2.398044%, which was an increase of 0.104568% from its proportion measured as of June 30, 2020.

For PERA Fund Division; Municipal General Division, at June 30, 2022, the City reported a liability of \$21,592,059 for its proportionate share of the net pension liability. At June 30, 2021, the City's proportion was 1.916454%, which was an increase of 0.038954% from its proportion measured as of June 30, 2020. For the year ended June 30, 2022, the City recognized PERA Fund Division; Municipal General Division pension expense of \$1,564,264.

At June 30, 2022, the City reported PERA Fund Division; Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

<u>Municipal General Division</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 537,502	73,924
Changes of assumptions	7,100	-
Net difference between projected and actual earnings on pension plan investments	-	8,873,097
Change in proportion and differences between the City contributions and proportionate share of contributions	448,641	388,921
The City contributions subsequent to the measurement date	<u>1,564,264</u>	<u>-</u>
Total	<u>\$ 2,557,507</u>	<u>9,335,942</u>

\$1,564,264 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of

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resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2023	\$ (1,346,472)
2024	(1,554,908)
2025	(1,800,599)
2026	(3,640,822)
2027	-
Thereafter	-

For PERA Fund Division; Municipal Police Division, at June 30, 2022, the City reported a liability of \$11,476,798 for its proportionate share of the net pension liability. At June 30, 2021, the City's proportion was 2.219191%, which was an decrease of 0.028509% from its proportion measured as of June 30, 2020. For the year ended June 30, 2022, the City recognized PERA Fund Division; Municipal Police Division pension expense of \$1,794,037.

At June 30, 2022, the City reported PERA Fund Division; Municipal Police Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

<u>Municipal Police Division</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 867,665	-
Changes of assumptions	4,469	-
Net difference between projected and actual earnings on pension plan investments	-	4,160,187
Change in proportion and differences between the City contributions and proportionate share of contributions	457,063	135,335
The City contributions subsequent to the measurement date	1,174,475	-
Total	<u>\$ 2,503,672</u>	<u>4,295,522</u>

\$1,174,475 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net

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pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2023	\$ 56,290
2024	(475,829)
2025	(850,248)
2026	(1,696,571)
2027	-
Thereafter	-

For PERA Fund Division; Municipal Fire Division, at June 30, 2022, the City reported a liability of \$20,907,596 for its proportionate share of the net pension liability. At June 30, 2021, the City's proportion was 3.444272%, which was an decrease of 0.013328% from its proportion measured as of June 30, 2020. For the year ended June 30, 2022, the City recognized PERA Fund Division; Municipal Fire Division pension expense of \$2,073,588.

At June 30, 2022, the City reported PERA Fund Division; Municipal Fire Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

<u>Municipal Fire Division</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 313,247	29,018
Changes of assumptions	3,091	-
Net difference between projected and actual earnings on pension plan investments	-	3,052,615
Change in proportion and differences between the City contributions and proportionate share of contributions	450,045	461,203
The City contributions subsequent to the measurement date	1,094,413	-
Total	<u>\$ 1,860,796</u>	<u>3,542,836</u>

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\$1,094,413 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2023	\$ (143,020)
2024	(706,041)
2025	(680,401)
2026	(1,246,918)
2027	-
Thereafter	-

Actuarial assumptions – The total pension liability in the June 30, 2021 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA Fund	
Actuarial Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Period	Level Percentage of Pay
Asset Valuation Method	Solved for based on statutory rates
Actuarial Assumptions:	
Investment Rate of Return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	3.00%
Projected Salary increases	3.25% to 13.50% annual rate
Includes Inflation at	2.50%
	2.75% all other years
Mortality Assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generational. For nonpublic safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience study dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2013 through June 30, 2017 (economic)

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The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2021. These assumptions were adopted by the Board use in the June 30, 2020 actuarial valuation.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>All Funds - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	35.50%	5.90%
Risk Reduction & Mitigation	19.50%	1.00%
Credit Oriented Fixed Income	15.00%	4.20%
Real Assets to include Real Estate Equity	20.00%	6.00%
Multi-Risk Allocation	10.00%	6.40%
Total	<u>100.0%</u>	

Discount rate – A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2021. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate – The following presents the City’s proportionate share of the net pension liability calculated

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using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

			Current	
		1% Decrease	Discount Rate	1% Increase
		(6.25%)	(7.25%)	(8.25%)
<u>PERA Fund Division -</u>				
Municipal General Division	\$	38,731,401	\$	21,592,059
Municipal Police Division	\$	20,092,793	\$	11,476,798
Municipal Fire Division	\$	28,862,417	\$	20,907,596
				\$ 14,369,851

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA financial reports, available at <http://www.nmpera.org/>.

Payable Changes in the Net Pension Liability - At June 30, 2022, the City reported a payable of \$143,374 for outstanding contributions due to NMPERA.

NOTE 13. STATE RETIREE HEALTH CARE PLAN CONTRIBUTIONS

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.

The City's contributions to the RHCA for the following years is identified below:

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City Contributions \$	<u>612,068</u>	<u>618,977</u>	<u>605,827</u>	<u>567,564</u>	<u>539,021</u>

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NOTE 14. OTHER POST EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB/RHCA

Plan description - Employees of the City are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

Benefits provided - The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

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Employees covered by benefit terms – At June 30, 2021, the Fund’s measurement date, the following employees were covered by the benefit terms:

<u>Plan membership</u>	
Current retirees and surviving spouses	53,092
Inactive and eligible for deferred benefit	11,754
Current active members	92,484
	<u>157,330</u>
<u>Active membership</u>	
State general	18,691
State police and corrections	1,919
Municipal general	20,357
Municipal police	1,573
Municipal FTRE	756
Educational Retirement Board	49,188
	<u>92,484</u>

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB –

At June 30, 2022, the City reported a liability of \$20,337,323 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The City’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2021. The City’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2021. At June 30, 2021, the City’s proportion was 0.61809 percent.

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For the year ended June 30, 2022, the City recognized OPEB income of \$2,203,108. At June 30, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 297,358	3,243,380
Changes of assumptions	4,071,720	7,352,663
Net difference between projected and actual investment earnings on OPEB plan investments	-	582,952
Change in proportion	456,869	937,579
Contributions subsequent to the measurement date	612,068	-
Total	<u>\$ 5,438,015</u>	<u>12,116,574</u>

Deferred outflows of resources totaling \$612,068 represent City contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30:	Amount
2023	\$ (2,910,401)
2024	(1,857,659)
2025	(1,169,538)
2026	(416,179)
2027	(936,850)
Thereafter	-
Total	<u>\$ (7,290,627)</u>

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Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward to June 30, 2020, using the following actuarial assumptions:

Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.30% for ERB members; 2.50% for PERA members
Projected payroll increases	3.25% to 13.00%, based on years of service, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs
Mortality	ERB members: 2020 GRS Southwest Region Teacher Mortality Table, set back one year (and scaled at 95% for males). Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020. PERA members: Headcount-Weighted RP-2014 Blue Collar Annuitant Mortality, set forward one year for females, projected generationally with Scale MP-2017 times 60%.

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

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The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	0.40%
U.S. equity - large cap	6.60%
Non U.S. - emerging markets	9.20%
Non U.S. - developed equities	7.30%
Private equity	10.60%
Credit and structured finance	3.10%
Real estate	3.70%
Absolute return	2.50%
U.S. equity - small/mid cap	6.60%

Discount Rate. The discount rate used to measure the Fund's total OPEB liability is 3.62% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2052. Thus, the 7.00% discount rate was used to calculate the net OPEB liability through 2052. The index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher was used beyond 2052, resulting in a blended discount rate of 3.62%.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate:

<u>1% Decrease (2.62%)</u>	<u>Current Discount (3.62%)</u>	<u>1% Increase (4.62%)</u>
\$ 25,553,371	\$ 20,337,323	\$ 16,279,810

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The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
\$	16,357,759	\$ 20,337,323	\$ 23,542,066

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2021.

Payable Changes in the Net OPEB Liability. At June 30, 2022, the City reported a payable of \$20,263 for outstanding contributions due to NMRHCA.

NOTE 15. COMMITMENTS

The City has the following construction projects, which are evidenced by contractual arrangements with construction contractors, as of June 30, 2022:

Commitments of Governmental-type Activities

Project	Contract Amount	Spent to Date	Commitment Remaining	Percentage Complete
Cascade Sign	\$ 60,000	8,328	51,672	14%
Potash Park-Mining Equipment	133,969	100,572	33,397	75%
Tyler EnerGov	600,000	321,950	278,050	54%
TCM-Document Management	160,000	20,026	139,974	13%
Fire Station 2 Remodel	60,000	51,670	8,330	86%
Exterior Paint/Construction	100,000	6,459	93,541	6%
Avalon	1,039,688	746,263	293,425	72%
Dark Canyon Bridge	3,000,000	3,265	2,996,735	0%
	<u>\$ 5,153,657</u>	<u>1,258,533</u>	<u>3,895,124</u>	

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Commitments of Business-type Activities

Project	Contract Amount	Spent to Date	Commitment Remaining	Percentage Complete
UV Disinfecting Bank	\$ 100,000	3,115	96,885	3%
	<u>\$ 100,000</u>	<u>3,115</u>	<u>96,885</u>	

Leases

The City entered into lease agreements subsequent to the end of fiscal year 2022. These leases will be captured and disclosed in accordance with GASB 87, if applicable, in the following fiscal year.

NOTE 16. 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.

NOTE 17. 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.

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

NOTE 18. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

1. Deficit Fund Balance/Net Position of Individual Funds:

<u>Proprietary</u>	
Golf Pro Shop Fund	\$ (2,222)

2. Excess of Expenditures Over Appropriations

There were no funds that exceeded approved budgetary authority for the year ended June 30, 2022.

3. Designated Cash Appropriations

There were no funds that exceeded approved designated cash appropriations for the year ended June 30, 2022.

NOTE 19. 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.

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 5,784,431	(5,379,629)
Solid Waste Fund	1,349,873	(1,462,403)
Joint Water & Sewer Fund	3,735,814	(4,007,137)
Other Governmental Funds	7,242,550	(5,966,388)
Internal Service Funds	1,300,000	(2,597,111)
Total	<u>\$ 19,412,668</u>	<u>(19,412,668)</u>

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NOTE 20. DUE TO/FROM

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

	<u>Due to</u>	<u>Due from</u>
General Fund	\$ (112,616)	-
Golf Pro Shop	(32,977)	-
Joint Water and Sewer Fund	<u>-</u>	<u>145,593</u>
Total	<u>\$ (145,593)</u>	<u>145,593</u>

NOTE 21. TAX ABATEMENTS

The City has no tax abatement agreements as of June 30, 2022, and therefore no disclosures under GASB 77 are required.

SUPPLEMENTARY INFORMATION

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COMBINING BALANCE SHEETS
NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2022**

	Special Revenue Funds					
	Airport	Sports	Local	Cannabis	Fire	Emergency
	Fund	Complex	Government	Revenue	Protection	Medical
	Fund	Fund	Corrections	Fund	Fund	Services
	(202)	(300)	Fund	Fund	Fund	Fund
	(202)	(300)	(350)	(360)	(500)	(501)
Assets						
Cash	\$ 87,066	1,133,371	607,284	34,054	1,138,528	13,411
Receivables, net	30,910	335,541	-	30,249	-	-
Restricted assets:						
Restricted cash	-	-	-	-	-	-
Total assets	<u>\$ 117,976</u>	<u>1,468,912</u>	<u>607,284</u>	<u>64,303</u>	<u>1,138,528</u>	<u>13,411</u>
Liabilities						
Accounts payable	\$ 28,978	35,804	39,045	-	-	-
Accrued salaries	-	28,388	-	-	-	-
Accrued liabilities	-	-	6,704	-	-	-
Advance grant and lease payments	<u>47,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>76,741</u>	<u>64,192</u>	<u>45,749</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances						
Restricted for:						
Public safety	41,235	-	561,535	-	-	-
Sports complex activities	-	1,404,720	-	-	-	-
State mandated per statutes	-	-	-	-	1,138,528	13,411
Public works	-	-	-	-	-	-
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,303</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>41,235</u>	<u>1,404,720</u>	<u>561,535</u>	<u>64,303</u>	<u>1,138,528</u>	<u>13,411</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 117,976</u>	<u>1,468,912</u>	<u>607,284</u>	<u>64,303</u>	<u>1,138,528</u>	<u>13,411</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

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COMBINING BALANCE SHEETS
NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2022**

	Special Revenue Funds					
	Law Enforcement Protection Fund (520)	Municipal Transit Fund (570)	Community Development Fund (580)	American Rescue Plan Act (ARPA) Fund (590)	Lodgers' Tax Fund (600,650,680)	Total Special Revenue Funds
Assets						
Cash	\$ -	289,774	-	-	5,867,269	9,170,757
Receivables, net	-	116,537	-	-	320,314	833,551
Restricted assets:						
Restricted cash	-	-	152,251	-	-	152,251
Total assets	<u>\$ -</u>	<u>406,311</u>	<u>152,251</u>	<u>-</u>	<u>6,187,583</u>	<u>10,156,559</u>
Liabilities						
Accounts payable	\$ -	13,075	8,289	-	412,347	537,538
Accrued salaries	-	44,891	-	-	-	73,279
Accrued liabilities	-	-	-	-	-	6,704
Advance grant and lease payments	-	-	-	-	-	47,763
Total liabilities	<u>-</u>	<u>57,966</u>	<u>8,289</u>	<u>-</u>	<u>412,347</u>	<u>665,284</u>
Fund Balances						
Restricted for:						
Public safety	-	-	143,962	-	-	746,732
Sports complex activities	-	-	-	-	-	1,404,720
State mandated per statutes	-	-	-	-	5,775,236	6,927,175
Public works	-	348,345	-	-	-	348,345
Assigned	-	-	-	-	-	64,303
Total fund balances	<u>-</u>	<u>348,345</u>	<u>143,962</u>	<u>-</u>	<u>5,775,236</u>	<u>9,491,275</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>406,311</u>	<u>152,251</u>	<u>-</u>	<u>6,187,583</u>	<u>10,156,559</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEETS
NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2022**

	Capital Project Funds				
	GRT Capital Outlay (200)	CIEP Fund (201)	Street System Improvement Fund (320)	Beautification Fund (550)	Total Capital Project Funds
<u>Assets</u>					
Cash	\$ 1,554,915	1,312,104	6,154,080	8,779	9,029,878
Receivables, net	627,586	45,787	77,945	15,177	766,495
Restricted assets:					
Restricted cash	-	-	-	-	-
Total assets	<u>\$ 2,182,501</u>	<u>1,357,891</u>	<u>6,232,025</u>	<u>23,956</u>	<u>9,796,373</u>
<u>Liabilities</u>					
Accounts payable	\$ 10,317	-	65,210	-	75,527
Accrued salaries	-	-	-	-	-
Accrued interest payable	-	-	-	-	-
Advance grant and lease payments	-	-	-	-	-
Total liabilities	<u>10,317</u>	<u>-</u>	<u>65,210</u>	<u>-</u>	<u>75,527</u>
<u>Fund Balances</u>					
Restricted for:					
Public safety	-	-	-	-	-
Sports complex activities	-	-	-	-	-
State mandated per statutes	-	-	-	-	-
Construction and improvements	-	-	-	-	-
Assigned	<u>2,172,184</u>	<u>1,357,891</u>	<u>6,166,815</u>	<u>23,956</u>	<u>9,720,846</u>
Total fund balances	<u>2,172,184</u>	<u>1,357,891</u>	<u>6,166,815</u>	<u>23,956</u>	<u>9,720,846</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,182,501</u>	<u>1,357,891</u>	<u>6,232,025</u>	<u>23,956</u>	<u>9,796,373</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEETS
NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2022**

	Debt Service Fund			
	GRT Capital Outlay Fund (802)	NMFA Loan Fund (820)	Total Debt Service Funds	Total Other Gov't Funds
<u>Assets</u>				
Cash	\$ -	-	-	18,200,635
Receivables, net	-	-	-	1,600,046
Restricted assets:				
Restricted cash	-	-	-	152,251
Total assets	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>19,952,932</u>
<u>Liabilities</u>				
Accounts payable	\$ -	-	-	613,065
Accrued salaries	-	-	-	73,279
Accrued interest payable	-	-	-	6,704
Advance grant and lease payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,763</u>
Total liabilities	-	-	-	740,811
<u>Fund Balances</u>				
Restricted for:				
Public safety	-	-	-	746,732
Sports complex activities	-	-	-	1,404,720
State mandated per statutes	-	-	-	6,927,175
Construction and improvements	-	-	-	348,345
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,785,149</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,212,121</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>19,952,932</u>

See independent auditor's report. 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 BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Special Revenue Funds					
	Airport Fund (202)	Sports Complex Fund (300)	Local Government Corrections Fund (350)	Cannabis Revenue Fund (360)	Fire Protection Fund (500)	Emergency Medical Services Fund (501)
Revenues						
Gross receipts taxes	\$ -	2,299,564	-	-	-	-
Lodgers' taxes	-	-	-	-	-	-
Cannabis excise taxes	-	-	-	64,303	-	-
Intergovernmental:						
Federal	69,000	-	-	-	-	-
State	17,174	-	-	-	594,972	19,892
Charges for services	45,240	18,578	39	-	-	-
Fines and forfeitures	-	-	849,608	-	-	-
Total revenues	131,414	2,318,142	849,647	64,303	594,972	19,892
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	69,057	-	406,842	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	1,072,806	-	-	-	-
Economic development	-	-	-	-	-	-
Capital outlay	424,093	-	-	-	141,052	38,535
Debt service:						
Principal	-	70,594	-	-	-	-
Interest and other charges	-	818	-	-	-	-
Total expenditures	493,150	1,144,218	406,842	-	141,052	38,535
Excess (deficiency) of revenues over (under) expenditures	(361,736)	1,173,924	442,805	64,303	453,920	(18,643)
Other financing sources (uses)						
Transfers in	500,000	32,505	-	-	270,000	-
Transfers (out)	-	(977,604)	(400,000)	-	-	-
Lease liabilities issued	-	-	-	-	-	-
Total other financing sources (uses)	500,000	(945,099)	(400,000)	-	270,000	-
Net change in fund balance	138,264	228,825	42,805	64,303	723,920	(18,643)
Fund balance, beginning of year	(97,029)	1,175,895	518,730	-	414,608	32,054
Fund balance, end of year	\$ 41,235	1,404,720	561,535	64,303	1,138,528	13,411

See independent auditor's report. 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 BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Special Revenue Funds					
	Law Enforcement Protection Fund (520)	Municipal Transit Fund (570)	Community Development Fund (580)	American Rescue Plan Act (ARPA) Fund (590)	Lodgers' Tax Fund (600,650,680)	Total Special Revenue Funds
Revenues						
Gross receipts taxes	\$ -	-	-	-	-	2,299,564
Lodgers' taxes	-	-	-	-	3,652,177	3,652,177
Cannabis excise taxes	-	-	-	-	-	64,303
Intergovernmental:						
Federal	-	805,454	296,704	3,681,801	-	4,852,959
State	70,800	-	-	-	-	702,838
Charges for services	-	32,822	-	-	-	96,679
Fines and forfeitures	-	-	-	-	-	849,608
Total revenues	70,800	838,276	296,704	3,681,801	3,652,177	12,518,128
Expenditures						
Current:						
General government	-	-	-	916,704	-	916,704
Public safety	70,800	-	-	2,294,859	-	2,841,558
Public works	-	1,102,030	-	-	-	1,102,030
Culture and recreation	-	-	-	407,093	1,480,737	2,960,636
Economic development	-	-	-	63,145	-	63,145
Capital outlay	-	192,864	473,209	-	602,033	1,871,786
Debt service:						
Principal	-	917	-	-	-	71,511
Interest and other charges	-	21	-	-	-	839
Total expenditures	70,800	1,295,832	473,209	3,681,801	2,082,770	9,828,209
Excess (deficiency) of revenues over (under) expenditures	-	(457,556)	(176,505)	-	1,569,407	2,689,919
Other financing sources (uses)						
Transfers in	-	357,889	100,000	-	-	1,260,394
Transfers (out)	-	(73,675)	-	-	(400,001)	(1,851,280)
Lease liabilities issued	-	6,948	-	-	-	6,948
Total other financing sources (uses)	-	291,162	100,000	-	(400,001)	(583,938)
Net change in fund balance	-	(166,394)	(76,505)	-	1,169,406	2,105,981
Fund balance, beginning of year	-	514,739	220,467	-	4,605,830	7,385,294
Fund balance, end of year	\$ -	348,345	143,962	-	5,775,236	9,491,275

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Capital Project Funds				
	GRT Capital Outlay (200)	CIEP Fund (201)	Street System Improvement Fund (320)	Beautification Fund (550)	Total Capital Project Funds
Revenues					
Gross receipts taxes	\$ 4,327,527	-	-	-	4,327,527
Lodgers' taxes	-	-	-	-	-
Cannabis excise taxes	-	-	-	-	-
Public service taxes	-	-	758,904	-	758,904
Intergovernmental:					
Federal	-	-	-	-	-
State	-	125,743	945,012	15,177	1,085,932
Charges for services	-	-	-	-	-
Licenses and permits	-	-	116,143	-	116,143
Fines and forfeitures	-	-	-	-	-
Interest	-	2,896	8,454	-	11,350
Total revenues	4,327,527	128,639	1,828,513	15,177	6,299,856
Expenditures					
Current:					
General government	175,437	3,142	-	-	178,579
Public safety	-	-	-	-	-
Public works	-	-	12,941	-	12,941
Culture and recreation	-	-	-	69,050	69,050
Economic development	-	-	-	-	-
Capital outlay	188,038	991,978	3,974,267	-	5,154,283
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Total expenditures	363,475	995,120	3,987,208	69,050	5,414,853
Excess (deficiency) of revenues over (under) expenditures	3,964,052	(866,481)	(2,158,695)	(53,873)	885,003
Other financing sources (uses)					
Transfers in	-	-	4,800,000	70,000	4,870,000
Transfers (out)	(4,000,000)	-	-	-	(4,000,000)
Lease liabilities issued	-	-	-	-	-
Total other financing sources (uses)	(4,000,000)	-	4,800,000	70,000	870,000
Net change in fund balance	(35,948)	(866,481)	2,641,305	16,127	1,755,003
Fund balance, beginning of year	2,208,132	2,224,372	3,525,510	7,829	7,965,843
Fund balance, end of year	\$ 2,172,184	1,357,891	6,166,815	23,956	9,720,846

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Debt Service Funds			Total
	GRT	NMFA Loan	Total Debt	Other
	Capital	Fund	Service	Gov't
	Outlay Fund	Fund	Service	Gov't
	(802)	(820)	Funds	Funds
<u>Revenues</u>				
Gross receipts taxes	\$ -	-	-	6,627,091
Lodgers' taxes	-	-	-	3,652,177
Cannabis excise taxes	-	-	-	64,303
Public service taxes	-	-	-	758,904
Intergovernmental:				
Federal	-	-	-	4,852,959
State	-	-	-	1,788,770
Charges for services	-	-	-	96,679
Licenses and permits	-	-	-	116,143
Fines and forfeitures	-	-	-	849,608
Interest	-	22	22	11,372
Total revenues	-	22	22	18,818,006
<u>Expenditures</u>				
Current:				
General government	-	-	-	1,095,283
Public safety	-	-	-	2,841,558
Public works	-	-	-	1,114,971
Culture and recreation	-	-	-	3,029,686
Economic development	-	-	-	63,145
Capital outlay	-	-	-	7,026,069
Debt service:				
Principal	-	6,963,240	6,963,240	7,034,751
Interest and other charges	-	352,393	352,393	353,232
Total expenditures	-	7,315,633	7,315,633	22,558,695
Excess (deficiency) of revenues over (under) expenditures	-	(7,315,611)	(7,315,611)	(3,740,689)
<u>Other financing sources (uses)</u>				
Transfers in	-	1,112,156	1,112,156	7,242,550
Transfers (out)	-	(115,108)	(115,108)	(5,966,388)
Lease liabilities issued	-	-	-	6,948
Total other financing sources (uses)	-	997,048	997,048	1,283,110
Net change in fund balance	-	(6,318,563)	(6,318,563)	(2,457,579)
Fund balance, beginning of year	-	6,318,563	6,318,563	21,669,700
Fund balance, end of year	\$ -	-	-	19,212,121

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
AS OF JUNE 30, 2022

	Museum Gift Shop Fund (750)	Golf Pro Shop Fund (790)	Total
<u>Assets</u>			
Current assets			
Cash	\$ 15,163	-	15,163
Receivables, net	30	-	30
Due from other funds	-	-	-
Inventory	-	32,977	32,977
Total current assets	15,193	32,977	48,170
Deferred Outflows of Resources			
Pensions related	-	-	-
OPEB related	-	-	-
Total deferred outflows of resources	-	-	-
Total assets and deferred outflow of resources	\$ 15,193	32,977	48,170
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ -	2,222	2,222
Accrued liabilities	37	-	37
Due to other funds	-	32,977	32,977
Total current liabilities	37	35,199	35,236
Total liabilities	37	35,199	35,236
<u>Net Position</u>			
Unrestricted	15,156	(2,222)	12,934
Total net position	15,156	(2,222)	12,934
Total liabilities, deferred inflows of resources, and net position	\$ 15,193	32,977	48,170

See independent auditor's report. 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
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Museum Gift Shop Fund (750)	Golf Pro Shop Fund (790)	Total
<u>Operating Revenues</u>			
Charges for services	\$ 4,507	-	4,507
<u>Operating Expenses</u>			
Utilities	-	8	8
Contractual services	288	850	1,138
Other operating expenses	9,979	1,364	11,343
Total operating expenses	10,267	2,222	12,489
Operating income (loss)	(5,760)	(2,222)	(7,982)
<u>Non-operating revenues (expenses)</u>			
Miscellaneous	9,599	-	9,599
Total non-operating revenues (expenses)	9,599	-	9,599
Income (loss) before capital contributions and transfers	3,839	(2,222)	1,617
<u>Capital contributions and transfers</u>			
Capital contributions	-	-	-
Transfers in	-	-	-
Transfers (out)	-	-	-
Total capital contributions and transfers	-	-	-
Change in net position	3,839	(2,222)	1,617
Net position, beginning of year	11,317	-	11,317
Net position, end of year	\$ 15,156	(2,222)	12,934

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Museum Gift Shop Fund (750)	Golf Pro Shop Fund (790)	Total
<u>Cash flows from operating activities</u>			
Cash received from customers	\$ 4,513	-	4,513
Cash payments to suppliers for goods and services	(10,294)	-	(10,294)
Net cash (used) by operating activities	(5,781)	-	(5,781)
<u>Cash flows for non-capital and financing activities</u>			
Miscellaneous revenues	9,599	-	9,599
Net cash provided by non-capital and financing activities	9,599	-	9,599
Net increase (decrease) in cash	3,818	-	3,818
Cash and cash equivalents, beginning of year	11,345	-	11,345
Cash and cash equivalents, end of year	\$ 15,163	-	15,163
<u>Reconciliation of operating income (loss) to net cash provided by operating activities</u>			
Operating (loss)	\$ (5,760)	(2,222)	(7,982)
Adjustment to reconcile operating income to net cash provided by operating activities:			
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	6	-	6
Increase (decrease) in accounts payable	(1)	2,222	2,221
Increase (decrease) in accrued liabilities	(26)	-	(26)
Total adjustments	(21)	2,222	2,201
Net cash (used) by operating activities	\$ (5,781)	-	(5,781)

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AS OF JUNE 30, 2022**

	General Insurance Fund (401, 402)	Group Health Insurance Fund (420)	Disaster Preparedness Fund (400)	Total
<u>Assets</u>				
Current assets				
Cash	\$ 978,809	2,482,393	1,747,558	5,208,760
Receivables, net	12,685	-	-	12,685
Total current assets	991,494	2,482,393	1,747,558	5,221,445
Noncurrent assets				
Restricted cash	485,318	-	1,003,737	1,489,055
Total assets	\$ 1,476,812	2,482,393	2,751,295	6,710,500
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 2,935	-	-	2,935
<u>Net position</u>				
Unrestricted	1,473,877	2,482,393	2,751,295	6,707,565
Total liabilities and net position	\$ 1,476,812	2,482,393	2,751,295	6,710,500

See independent auditor's report. 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, 2022**

	General Insurance Fund (401, 402)	Group Health Insurance Fund (420)	Disaster Preparedness Fund (400)	Total
<u>Operating revenues</u>				
Charges for services	\$ -	7,519,316	-	7,519,316
<u>Operating expenses</u>				
Insurance claims and expenses	-	6,337,535	-	6,337,535
Other supplies and expenses	1,515,644	69	-	1,515,713
Total operating expenses	1,515,644	6,337,604	-	7,853,248
Operating (loss)	(1,515,644)	1,181,712	-	(333,932)
<u>Non-operating revenues (expenses)</u>				
Miscellaneous revenue	30,905	-	-	30,905
Investment income	2,086	2,630	3,005	7,721
Income (loss) before transfers	(1,482,653)	1,184,342	3,005	(295,306)
<u>Transfers</u>				
Transfers in	800,000	-	500,000	1,300,000
Transfers (out)	-	(2,597,111)	-	(2,597,111)
Total transfers	800,000	(2,597,111)	500,000	(1,297,111)
Change in net position	(682,653)	(1,412,769)	503,005	(1,592,417)
Net position, beginning of year	2,156,530	3,895,162	2,248,290	8,299,982
Net position, end of year	\$ 1,473,877	2,482,393	2,751,295	6,707,565

See independent auditor's report. 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, 2022**

	General Insurance Fund (401, 402)	Group Health Insurance Fund (420)	Disaster Preparedness Fund (400)	Total
<u>Cash flows from operating activities</u>				
Internal activity - receipts from other funds	\$ -	7,521,668	-	7,521,668
Cash payments to suppliers for goods and services	(1,519,517)	(6,337,604)	-	(7,857,121)
Net cash provided (used) by operating activities	(1,519,517)	1,184,064	-	(335,453)
<u>Cash flows from non-capital activities</u>				
Miscellaneous revenue	30,905	-	-	30,905
Net transfers in (out)	800,000	(2,597,111)	500,000	(1,297,111)
<u>Cash flows from investing activities</u>				
Investment income	2,086	2,630	3,005	7,721
Net increase (decrease) in cash	(686,526)	(1,410,417)	503,005	(1,593,938)
Cash and cash equivalents, beginning of year	2,150,653	3,892,810	2,248,290	8,291,753
Cash and cash equivalents, end of year	<u>\$ 1,464,127</u>	<u>2,482,393</u>	<u>2,751,295</u>	<u>6,697,815</u>
Displayed as				
Cash	\$ 978,809	2,482,393	1,747,558	5,208,760
Restricted cash	485,318	-	1,003,737	1,489,055
Total cash	<u>\$ 1,464,127</u>	<u>2,482,393</u>	<u>2,751,295</u>	<u>6,697,815</u>
<u>Reconciliation of operating income (loss) to net cash provided by operating activities</u>				
Operating (loss)	(1,515,644)	1,181,712	-	(333,932)
Adjustment to reconcile operating income to net cash provided by operating activities				
None				
Change in assets and liabilities				
(Increase) decrease in accounts receivable	20,411	2,352	-	22,763
Increase (decrease) in accounts payable	(24,284)	-	-	(24,284)
Total adjustments	(3,873)	2,352	-	(1,521)
Net cash (used) by operating activities	<u>\$ (1,519,517)</u>	<u>1,184,064</u>	<u>-</u>	<u>(335,453)</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
AS OF JUNE 30, 2022**

	Municipal Court Bond Trust Fund (920)	Eddy-Lea Energy Alliance Fund (980)	Total Custodial Funds
Assets			
Cash	\$ 23,065	72,810	95,875
Total assets	<u>23,065</u>	<u>72,810</u>	<u>95,875</u>
Liabilities			
Accounts payable	-	4,880	4,880
Total liabilities	<u>-</u>	<u>4,880</u>	<u>4,880</u>
Net position			
Restricted for:			
Individuals, other governments	23,065	67,930	90,995
Total net position	<u>\$ 23,065</u>	<u>67,930</u>	<u>90,995</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Municipal Court Bond Trust Fund (920)	Eddy-Lea Energy Alliance Fund (980)	Total Custodial Funds
Additions			
Lease - misc.	\$ -	12,086	12,086
Other income - insurance refund	-	3,323	3,323
Fees	24,731	100,000	124,731
Total additions	<u>24,731</u>	<u>115,409</u>	<u>140,140</u>
Deductions			
Insurance	-	5,444	5,444
Professional contracts	-	68,740	68,740
Fee payments	21,531	385	21,916
Total deductions	<u>21,531</u>	<u>74,569</u>	<u>96,100</u>
Net increase (decrease) in fiduciary net position	3,200	40,840	44,040
Net position, beginning	19,865	27,090	46,955
Net position, ending	<u>\$ 23,065</u>	<u>67,930</u>	<u>90,995</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OF CARLSBAD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015
	Measurement Date as of							
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
The City's proportion of the net pension liability (asset) (%)								
Municipal General	1.916454%	1.8775%	1.9110%	1.9566%	1.8488%	1.8910%	1.8023%	1.6672%
Municipal Police	2.219191%	2.2477%	2.1941%	1.9877%	2.0794%	2.0286%	1.8730%	1.7809%
Municipal Fire	3.444272%	3.4576%	3.5830%	3.2708%	3.3918%	3.3058%	3.0425%	2.8478%
	2.398044%	2.2935%	2.3412%	2.6258%	2.2391%	2.2391%	2.1366%	2.0150%
The City's proportionate share of the net pension liability (asset) (\$)								
Municipal General	\$ 21,592,059	37,967,318	33,081,310	31,195,445	25,404,076	30,211,818	18,376,011	13,005,949
Municipal Police	11,476,798	19,304,813	16,207,137	13,562,162	11,552,430	14,967,615	9,006,434	5,805,215
Municipal Fire	20,907,596	26,152,380	24,623,697	20,935,172	19,405,998	22,053,047	15,702,896	11,886,699
	\$ 53,976,453	83,424,511	73,912,144	65,692,779	56,362,504	67,232,480	43,085,341	30,697,863
The City's covered payroll								
Municipal General	\$ 16,066,388	18,666,755	17,577,843	16,503,581	16,622,262	16,151,288	14,920,209	16,001,413
Municipal Police	6,220,930	4,811,431	4,473,582	4,200,180	4,285,593	4,056,254	3,670,508	4,645,008
Municipal Fire	5,079,447	4,769,041	4,426,818	4,156,273	4,110,199	3,853,487	3,465,760	4,339,740
	\$ 27,366,765	28,247,227	26,478,242	24,860,034	25,018,053	24,061,029	22,056,477	24,986,161
The City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll								
Municipal General	134.39%	203.40%	188.20%	189.02%	152.83%	187.06%	123.16%	81.28%
Municipal Police	184.49%	401.23%	362.29%	322.89%	269.56%	369.00%	245.37%	124.98%
Municipal Fire	411.61%	548.38%	556.24%	503.70%	472.14%	572.29%	453.09%	273.90%
Plan fiduciary net position as a percentage of the total pension liability								
Municipal General	77.25%	66.36%	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%
Municipal Police	77.25%	66.36%	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%
Municipal Fire	77.25%	66.36%	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%

*GASB 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City is not available prior to fiscal year 2015, the year the statement's requirements became effective.

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OF CARLSBAD'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS***

	2022	2021	2020	2019	2018	2017	2016	2015
Statutory required contribution								
Municipal General	\$ 1,564,264	1,574,506	1,829,342	1,678,684	1,576,092	1,587,426	1,542,448	1,424,880
Municipal Police	1,174,475	1,191,308	921,389	845,507	793,834	809,977	766,632	693,726
Municipal Fire	<u>1,094,413</u>	<u>1,112,399</u>	<u>1,044,420</u>	<u>958,406</u>	<u>899,833</u>	<u>889,858</u>	<u>834,280</u>	<u>750,337</u>
	\$ 3,833,152	3,878,213	3,795,151	3,482,597	3,269,759	3,287,261	3,143,360	2,868,943
Contributions in relation to the statutorily required contribution								
Municipal General	\$ 1,564,264	1,574,506	1,829,342	1,678,684	1,576,092	1,587,426	1,542,448	1,424,880
Municipal Police	1,174,475	1,191,308	921,389	845,507	793,834	809,977	766,632	693,726
Municipal Fire	<u>1,094,413</u>	<u>1,112,399</u>	<u>1,044,420</u>	<u>958,406</u>	<u>899,833</u>	<u>889,858</u>	<u>834,280</u>	<u>750,337</u>
	\$ 3,833,152	3,878,213	3,795,151	3,482,597	3,269,759	3,287,261	3,143,360	2,868,943
Contribution deficiency (excess)								
Municipal General	\$ -	-	-	-	-	-	-	-
Municipal Police	-	-	-	-	-	-	-	-
Municipal Fire	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ -	-	-	-	-	-	-	-

*GASB 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

Changes of Benefit Terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's ACFR <https://www.nmpera.org/financial-overview/>.

Changes of Assumptions: The Public Employee Retirement Association of New Mexico Annual Actuarial Valuations as of June 30, 2020 report is available at <http://www.nmpera.org/>.

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OF CARLSBAD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
	Measurement Date as of:				
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
The City's proportion of the net OPEB liability (%)	0.61809%	0.62938%	0.64349%	0.63076%	0.62294%
The City's proportionate share of OPEB liability (\$)	\$ 20,337,323	26,427,087	20,864,447	27,427,683	28,229,604
The City's covered payroll	\$ 28,520,180	27,051,486	26,852,378	27,063,494	25,949,484
The City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	71.31%	97.69%	77.70%	101.35%	108.79%
Plan fiduciary net position as a percentage of the total pension liability	25.39%	16.50%	18.92%	13.14%	11.34%

*This schedule is presented to illustrate the requirement to show information for 10 years; However, until a full 10-year trend is compiled, the statement only requires presentation of information for available years.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OF CARLSBAD'S CONTRIBUTIONS
OPEB

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 612,068	618,977	569,594	985,668	1,978,127
Contributions in relation to the contractually required contribution	612,068	618,977	569,594	973,633	992,799
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>12,035</u>	<u>985,328</u>
The City's covered payroll	\$ 28,048,021	27,513,771	26,867,642	27,063,494	25,949,484
Contributions as a percentage of covered payroll	2.18%	2.25%	2.12%	3.60%	3.83%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

In the June 30, 2021 actuarial valuation and the total OPEB liability measured as of June 30, 2021, changes in assumptions include adjustments resulting from a decrease in the discount rate from 2.86% to 3.62%.

OTHER SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF CASH ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2022**

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	Checking*	\$ 2,482,207	186	2,482,393
Payroll Account	Checking	1,842,794	(1,818,972)	23,822
Debt Service Account	Checking	274	35	309
Municipal Court	Checking	23,065	-	23,065
Worker's Compensation	Checking	19,423	(9,423)	10,000
CDBG Cash	Checking	279,202	(126,951)	152,251
General Operating	Certificate of Deposit	575,611	-	575,611
General Operating	Certificate of Deposit	314,165	-	314,165
General Operating	Certificate of Deposit	213,533	-	213,533
General Operating	Certificate of Deposit	4,020,566	-	4,020,566
Sandpoint Closure Reserve	Certificate of Deposit	682,426	-	682,426
Sandpoint Closure Reserve	Certificate of Deposit	1,312,684	-	1,312,684
Worker's Compensation	Certificate of Deposit	3,979,929	-	3,979,929
Worker's Compensation	Certificate of Deposit	1,008,198	-	1,008,198
Water & Sewer	Certificate of Deposit	360,570	-	360,570
Water & Sewer	Certificate of Deposit	313,969	-	313,969
Disaster Preparedness	Certificate of Deposit	1,003,737	-	1,003,737
		<u>\$ 18,432,353</u>	<u>(1,955,125)</u>	<u>16,477,228</u>
First American Bank 303 W. Main Artesia, NM 88210				
General	Certificate of Deposit	3,006,300	-	3,006,300
		<u>3,006,300</u>	<u>-</u>	<u>3,006,300</u>
Pioneer Savings Bank P.O. Box 130 Roswell, New Mexico 88202-0130				
General Operating	Certificate of Deposit	\$ 473,379	-	473,379
General Operating	Certificate of Deposit	433,732	-	433,732
General Operating	Certificate of Deposit	433,732	-	433,732
General Operating	Certificate of Deposit	4,012,682	-	4,012,682
General Operating	Certificate of Deposit	703,287	-	703,287
General Operating	Certificate of Deposit	2,004,191	-	2,004,191
Sandpoint Closure Reserve	Certificate of Deposit	216,866	-	216,866
Sandpoint Closure Reserve	Certificate of Deposit	957,049	-	957,049
Sandpoint Closure Reserve	Certificate of Deposit	756,842	-	756,842
Worker's Compensation	Certificate of Deposit	216,866	-	216,866
Worker's Compensation	Certificate of Deposit	268,452	-	268,452
Water & Sewer	Certificate of Deposit	216,866	-	216,866
		<u>\$ 10,693,944</u>	<u>-</u>	<u>10,693,944</u>

*Interest bearing account

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF CASH ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2022

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
Wells Fargo Bank, N.A. Carlsbad Office 115 W. Fox Street Carlsbad, New Mexico 88221				
General Fund	Checking*	\$ 51,903,068	737,291	52,640,359
		<u>\$ 51,903,068</u>	<u>737,291</u>	<u>52,640,359</u>
Western Commerce Bank P.O. Drawer 1358 Carlsbad, New Mexico 88221-1358				
Construction Account	Checking*	\$ 12,421,782	(794,175)	11,627,607
General Operating	Certificate of Deposit	287,514	-	287,514
General Operating	Certificate of Deposit	1,049,344	-	1,049,344
General Operating	Certificate of Deposit	640,000	-	640,000
Sandpoint Closure Reserve	Certificate of Deposit	952,773	-	952,773
Water & Sewer	Certificate of Deposit	1,002,704	-	1,002,704
Water & Sewer	Certificate of Deposit	3,973,067	-	3,973,067
		<u>\$ 20,327,184</u>	<u>(794,175)</u>	<u>19,533,009</u>
New Mexico Finance Authority 207 Shelby Street Santa Fe, New Mexico 87501				
Carlsbad 11	Reserve	\$ 240,864	-	240,864
		<u>\$ 240,864</u>	<u>-</u>	<u>240,864</u>
Totals		<u>\$ 104,603,713</u>	<u>(2,012,009)</u>	<u>102,591,704</u>

*Interest bearing account

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF PLEDGED COLLATERAL
ALL FINANCIAL INSTITUTIONS
FOR THE YEAR ENDED JUNE 30, 2022**

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

Security Description	CUSIP Number	Maturity Date	Market Value
FHLMC Pool C91245	3128P7L27	01/01/36	\$ 487,045
FHLMC Pool C91366	3128P7QT3	04/01/31	285,115
FNMA Pool MA2046	31418BHY5	10/01/34	283,196
FHLMC Pool C91758	3128P755T6	04/01/34	434,808
FNR 2012-55 PD	3136A53R5	05/25/42	284,473
GNMAII Pool 4668	36202FFH4	04/20/25	180,480
FNMA Pool MA7076	3138EP2J2	08/01/32	324,049
FNR 2012-127 DH	3136A9B31	11/25/27	5,628
FHLMC Pool C91864	3128P8B91	02/01/36	583,961
FHLMC Pool G07957	3128MAE62	01/01/45	527,107
GNMAII Pool MA5976	36179UT93	06/20/49	64,717
FNMA Pool MA1119	31418GA51	07/01/42	314,315
FHLMC Pool G07786	3128M96X5	08/01/44	494,112
FHLMC Pool G15290	3128MEC33	02/01/30	269,230
FNMA Pool BC0851	3140EU5M7	04/01/31	848,615
FNMA Pool MA2937	31418CHP2	03/01/37	631,483
GNMAII Pool BO1539	3617KGV80	07/20/49	1,070,818
FNMA Pool BQ4067	3140KPQV8	12/01/50	1,438,341
FNMA Pool FM8556	3140XCQJ0	08/01/36	1,652,763
			<u>\$ 10,180,256</u>

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

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

Security Description	CUSIP Number	Maturity Date	Market Value
Federal Home LN MTG PC Gold	3128MMVV2	01/01/32	\$ 268,335
Federal Home LN MTG ASSN PARTIN CTF	31295NW53	09/01/32	11,487
Federal Home LN MTG BKS 2.00 FHLB 22	313380GJ0	09/09/22	600,234
Federal Home LN MTG CORP	3133KYWE5	02/01/42	2,185,248
Federal Home LN MTG CORP PARTN CTF	31349S4E0	07/01/34	8,042
Federal Home LN MTG CORP PARTN CTF	31349UHD3	01/01/35	34,536
Federal Nat Mtg Assn	3138ASYU0	10/01/26	78,549
Federal Nat Mtg Assn	31390KQK7	06/01/32	19,348
Federal Nat Mtg Assn	31403VWN5	01/01/34	14,035
Federal Nat Mtg Assn	31404V6W3	06/01/34	15,674
Federal Nat Mtg Assn	3140X4HB5	01/01/32	662,595
Federal Nat Mtg Assn	31416YYA0	08/01/26	138,677
Federal Nat Mtg Assn	31418DUD2	11/01/35	660,587
Govt Nat Mtg Assn II	3617M7SR0	02/20/51	1,117,087
Govt Nat Mtg Assn Pool #080418	36225CPC4	06/20/30	21,629
Govt Nat Mtg Assn Pool #080477	36225CQ74	12/20/30	2,656
Govt Nat Mtg Assn Pool #080540	36225CS64	09/20/31	7,532
Govt Nat Mtg Assn Pool #080562	36225CTU0	12/20/31	6,163
			<u>\$ 5,852,414</u>

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

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF PLEDGED COLLATERAL
ALL FINANCIAL INSTITUTIONS
FOR THE YEAR ENDED JUNE 30, 2022

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

Security Description	CUSIP Number	Maturity Date	Market Value
FR QA7254	3133A2BX7	02/01/50	\$ 6,086,994
FN FS0535	3140XFSZ5	07/01/43	21,144,374
			<u>\$ 27,231,368</u>

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

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

Security Description	CUSIP Number	Maturity Date	Market Value
FHLMC #G08534	3128MJSY7	06/01/43	\$ 458,560
FHLMC #J22899	31307BGG9	03/01/28	195,346
FNMA #AA5840	31416PP27	06/01/39	67,743
FNMA #MA2956	31418CJA3	04/01/47	655,431
FNMA #MA3697	31418DDB5	07/01/39	338,167
FNMA #MA3741	31418DEP3	08/01/39	349,637
FNMA #MA3771	31418DFM9	09/01/39	428,755
FNMA #MA3800	31418DGJ5	10/01/39	494,776
SBAP Series 2021-25H 1	83162CL68	08/01/46	843,000
SBAP Series 2013-20B Class 1	83162CVH3	02/01/33	617,953
SBAP Series 2013-20J Class 1	83162CVV2	10/01/33	480,997
SBAP Series 2015-20D Class 1	83162CWY5	04/01/35	667,000
SBAP Series 2016-20H Class 1	83162CXY4	08/01/36	428,660
SBAP Series 2017-20I Class 1	83162CYW7	09/01/37	986,253
Treasury 1 1/8 02/15/31	91282CBL4	02/15/31	2,114,845
Treasury 1 1/4 04/10/28	91282CBZ3	04/30/28	2,228,905
			<u>\$ 11,356,028</u>

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

First American Bank
303 W. Main
Artesia, NM 88210

Security Description	CUSIP Number	Maturity Date	Market Value
FHLB: GADSDEN NM INDEP SCH NM 25	362550NC5	08/15/25	\$ 642,538
FHLB: ALAMOGORDO MUNI SD#1 NM 2	011464KU7	08/01/29	250,457
FHLB: GRANT CO NM 30	387766CT3	09/01/30	404,563
GNMA II 15YR	3622AAEL4	05/20/34	506,787
			<u>\$ 1,804,345</u>

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

Total pledged collateral \$ 56,424,411

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF JOINT POWERS AGREEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

#	Joint Powers Agreement	Participants	Responsible Party	Description	Beginning and Ending Dates	Audit Responsibility	Reporting Entity
1	Eddy County	Eddy County City of Carlsbad	City	Naming & Assigning Addresses	9/17/1985		City of Carlsbad
2	DOE, WIPP Eddy County	DOE, WIPP, Eddy County, City of Carlsbad	City	Emergency Operations Center	6/15/1988		City of Carlsbad
3	NM Construction Industries	NM Construction Industries Division	City	Provide building inspection within Muncipal boundaries	1/14/1982	City	City of Carlsbad
4	Eddy County	City of Carlsbad Eddy County	City	800 megahertz trunked radio system	10/30/1990 thru 1/1/2100	City	City of Carlsbad
5	City of Artesia Villages of Hope & Loving, DOE	Cities of Carlsbad & Artesia Villages of Hope & Loving DOE	City	Emergency Preparedness Program	1/14/1993 thru 2100	City	City of Carlsbad
6	NM Energy Mineral & Natural Resources Department	City of Carlsbad NM Energy, Minerals & Natural Resources Department	City	Wildfire Suppression	2/17/1993 thru 1/1/2100	City	City of Carlsbad
7	Pecos Valley Water Users Organization	City of Carlsbad Includes counties: Chavez, Eddy, DeBaca, Cities of: Roswell, Artesia, Carlsbad, Carlsbad Irrigation Dist, the Southeastern NM Econ., Devel. Dist, Pecos Valley Artesian Conservancy Dist., Hagerman Irrig. Dist., Sureste RC & D&R Region VI NM Assoc. of Conservation Dist.	City	Operating	11/7/2006 thru 1/1/2100	City	City of Carlsbad
8	ELEA	City of Carlsbad Eddy-Lea Alliance, LLC	City		11/7/2006 thru 11/6/2100	City	City of Carlsbad

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

FEDERAL COMPLIANCE SECTION

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass Through Grantor/ Program Title	Assistance Listing Number	Contract/Grant Project/State Number	Federal Expenditures
U.S. Department of Transportation			
<i>Direct</i>			
COVID-19-Airport Improvement Program	20.106	3-35-0007-029-2020	\$ 69,000
<i>Total Direct Awards from U.S. Department of Transportation</i>			69,000
<i>Passed through New Mexico Department of Transportation</i>			
Federal Transit Cluster			
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	M01465	134,000
<i>Total Federal Transit Cluster</i>			134,000
Formula Grants for Rural Areas	20.509	M01465	671,454
ENDWI (Minimum Penalties for Repeat Offenders for Driving While Intoxicated)	20.608	01-AL-64-013, 02-AL-64-013	23,439
<i>Total Passed through New Mexico Department of Transportation</i>			828,893
Total U.S. Department of Transportation			897,893
U.S. Department of Housing and Urban Development			
<i>Direct</i>			
Community Development Block Grants	14.228	18-C-NR-I-01-G-12	296,704
Total Department of Housing and Urban Development			296,704
U.S. Department of Justice			
<i>Direct</i>			
STOP School Violence	16.839	2019-YS-BX-0118	8,224
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-21-GG-01697-JAGX	23,433
COVID-19-Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0982	10,719
Total Department of Justice			42,376
National Endowment for the Humanities			
<i>Passed through New Mexico Humanities Council</i>			
COVID-19-CARES Act Subaward Museum	45.129	0004-1575CA-668	750
COVID-19-CARES Act Subaward Circulating Technology Collection	45.129	0059-1625CA-668	585
<i>Total Passed through New Mexico Humanities Council</i>			1,335
<i>Passed through New Mexico State Library</i>			
Grants to States (ARPA Library Grant)	45.310		16,288
<i>Total Passed through New Mexico State Library</i>			16,288
Total National Endowment for the Humanities			17,623
U.S. Department of the Treasury			
<i>Passed through New Mexico Department of Finance and Administration</i>			
COVID-19-American Rescue Plan (ARPA)	* 21.027		3,681,801
Total Department of the Treasury			3,681,801
Total Expenditures of Federal Awards			\$ 4,936,397
* Denotes Major Program			
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance			
Federal expenditures per SEFA			\$ 4,936,397
Total federal grant revenue - governmental funds			4,936,397
Net difference			\$ -

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Carlsbad, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note 2 - Non-Cash Federal Assistance

No non-cash federal assistance was received during the year ended June 30, 2022.

Note 3 - Subrecipients

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

Note 4 - Cost Rate

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

**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***

The Mayor and City Councilors
The City of Carlsbad
and
Mr. Brian S. Colón, New Mexico State Auditor

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, the general fund, the aggregate remaining fund information, and the budgetary comparison of the general fund, of the City of Carlsbad (City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 15, 2022.

Report Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies,

in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as 2022-001.

City's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

December 15, 2022

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, continued*

accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.

Albuquerque, New Mexico

December 15, 2022

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

The Mayor and City Councilors
The City of Carlsbad
and
Mr. Brian S. Colón, New Mexico State Auditor

Opinion on Each Major Federal Program

We have audited the City of Carlsbad's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on

compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Hinkle + Landers, P.C.

Albuquerque, NM

December 15, 2022

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of report independent auditor issued on financial statements Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? ☐ Yes ☒ No

Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards:

Type of opinion independent auditor issued on compliance for major federal awards Unmodified

Internal control over major programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified that not considered to be a material weakness(es)? ☐ Yes ☒ No

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a) ☐ Yes ☒ No

Identification of major programs:

<u>AL Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Funding Source</u>
21.027	COVID-19-American Rescue Plan (ARPA)	U.S. Department of the Treasury

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

SECTION II -SUMMARY OF AUDITOR FINDINGS

<u>Reference #</u>	<u>Finding</u>	<u>Status of Current & Prior Year Findings</u>	<u>Type of Finding*</u>
<u>Prior Year Findings</u>			
NONE	N/A	N/A	N/A
<u>Current Year Findings</u>			
2022-001	24 Hour Deposit Requirement	Current	G

* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Finding that Does Not Rise to the Level of a Significant Deficiency
(Other Matters) Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance related to Federal Awards
- G. Other non-compliance with State Audit Rule, NM State Statutes, NMAC or other entity compliance
- H. Instance of Material Non-Compliance

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

CURRENT YEAR FINDINGS

2022-001—24 HOUR DEPOSIT REQUIREMENT

Type of Finding: (G) Other non-compliance with State Audit Rule, NM State Statutes, NMAC or other entity compliance

Statement of Condition

During our testing of cash receipts, we noted the City's cash receipts were not deposited into a banking institution by the close of the next business day.

Out of 25 randomly selected deposits, 16 of the 25 sampled deposits, totaling \$163,520, were delivered to the bank more than 24 hours after receipt. 8 of these deposits were received by the bank more than 5 days after the date of collection.

Criteria

NMSA 1978. Section 6-10-3, the "24-hour deposit rule" requires all public money received by any state official or agency, "unless otherwise specified by statutory exception," be deposited into the state treasury before the close of the next succeeding business day after the receipt of the money.

Internal controls have to be implemented and be adequate to mitigate the risks associated with the collection and deposit of cash.

Cause

The City experienced a staffing shortage that prevented staff from depositing money in a timely manner.

Effect

The City is not in compliance with state statute. Untimely deposits may cause the City to be at risk of misappropriations of funds.

Recommendation

We recommend that the City consider hiring and training sufficient staff to ensure that deposits can always be made within the 24-hour period required by state statute.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

View of Responsible Officials and Correct Action Plan

During FY22 the City's Finance Department experienced a lot of employee transitions/transfers resulting in a staffing shortage. Because of this staffing shortage the City was unable to make all deposits within the 24 hour window. The City's Finance Department is currently fully staffed and making deposits daily. We are also in the process of training other employees within the Finance Department on the deposit process so that if a staffing shortage does occur again we have plenty of backup to make sure the deposits are made timely.

Timeline

The City's Finance Department is now fully staffed and making deposits daily. More staff will be trained on the deposit process to ensure all deposits are made timely.

Point of Contact

The responsible employee for the action plan, will be the Director of Finance, the Utility Account Supervisor, and any other employees trained in the process.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2022**

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Presentation: The accompanying financial statements are the responsibility of the City and are based on information from the City's financial records. Assistance was provided by Hinkle + Landers, PC to the City in preparing the financial statements.

B. EXIT CONFERENCE

The contents of the report for the City of Carlsbad were discussed on December 15, 2022. The following individuals were in attendance:

City of Carlsbad Officials

Dale Janway	Mayor
Wesley Carter	City Councilor
John Lowe	City Administrator
Melissa Salcido	Director of Finance

Hinkle + Landers, P.C. Officials

Farley Vener, CPA, CFE, CGMA	President
Rosetta Lee, CPA	Audit Manager