



**STATE OF NEW MEXICO
CITY OF CARLSBAD**

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

For The Year Ended June 30, 2023

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**STATE OF NEW MEXICO
CITY OF CARLSBAD
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
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**STATE OF NEW MEXICO
CITY OF CARLSBAD
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
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**STATE OF NEW MEXICO
CITY OF CARLSBAD
OFFICIAL ROSTER
AS OF JUNE 30, 2023**

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
Kenneth Ahrens	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 Barrios-Testa	Director of Municipal Services
Randy Galindo	Director of Safety

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

The Mayor and City Councilors
The City of Carlsbad
and
Joseph M. Maestas, PE
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, 2023, 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, 2023, 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 GASB 96, *Subscription-Based Information Technology Arrangements*, and GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which are required for adoption for all fiscal years beginning subsequent to June 15, 2022. Our opinions are not modified with respect to this matter.

Restatements

As discussed in Note 21 to the financial statements, the 2023 financial statements have been restated to correct misstatements related to grant and cannabis excise tax receivables. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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, such information, including the schedule of expenditures of federal awards, is 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 12, 2023 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.



Hinkle + Landers, PC

Albuquerque, New Mexico

December 12, 2023

**STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF NET POSITION
AS OF JUNE 30, 2023**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash	\$ 63,838,794	29,798,509	93,637,303
Receivables			
Customer receivables, net	15,382,979	2,162,125	17,545,104
Due from other governments	2,565,975	605,128	3,171,103
Leases receivable, current	66,238	-	66,238
Due from governmental activities	-	112,616	112,616
Inventory	-	1,137,210	1,137,210
Total current assets	81,853,986	33,815,588	115,669,574
Noncurrent assets			
Restricted cash	1,062,045	22,800,195	23,862,240
Restricted cash held by fiscal agent	-	240,864	240,864
Leases receivable, noncurrent	849,481	-	849,481
Capital assets			
Land and construction in progress	2,277,508	2,152,271	4,429,779
Other capital assets, net of accumulated depreciation and amortization	141,375,565	112,515,959	253,891,524
Total noncurrent assets	145,564,599	137,709,289	283,273,888
Deferred outflows of resources			
Pension related	10,070,495	1,216,769	11,287,264
OPEB related	3,801,638	493,998	4,295,636
Total deferred outflows of resources	13,872,133	1,710,767	15,582,900
Total assets and deferred outflows of resources	\$ 241,290,718	173,235,644	414,526,362

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
AS OF JUNE 30, 2023**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 1,268,485	895,278	2,163,763
Accrued salaries	695,524	111,044	806,568
Accrued liabilities	138,368	87,768	226,136
Advance grant and lease payments	46,229	-	46,229
Accrued interest payable	-	151,594	151,594
Deposits payable	12,200	605,762	617,962
Due to business-type activities	112,616	-	112,616
Current maturities of:			
Notes payable	-	1,668,362	1,668,362
Lease liability	306,826	8,039	314,865
Subscription liability	256,672	-	256,672
Compensated absences	763,472	121,593	885,065
Total current liabilities	3,600,392	3,649,440	7,249,832
Noncurrent liabilities			
Notes payable	-	25,008,125	25,008,125
Lease liability	210,134	112,805	322,939
Subscription liability	197,844	-	197,844
Compensated absences	1,233,016	192,269	1,425,285
Landfill closure and post-closure	-	556,102	556,102
Net pension liability	65,373,988	8,247,598	73,621,586
Net OPEB liability	12,317,767	1,600,613	13,918,380
Total noncurrent liabilities	79,332,749	35,717,512	115,050,261
Total liabilities	82,933,141	39,366,952	122,300,093
Deferred inflows of resources			
Leases	901,921	-	901,921
Pension related	3,538,027	475,406	4,013,433
OPEB related	12,114,091	1,574,147	13,688,238
Total deferred inflows of resources	16,554,039	2,049,553	18,603,592
Net position			
Net investment in capital assets	143,136,113	87,870,899	231,007,012
Restricted for:			
Special revenue	5,232,052	-	5,232,052
Debt service	-	9,311,907	9,311,907
State mandated per statutes	11,352,939	-	11,352,939
Construction and improvement	278,014	-	278,014
Endowment:			
Expendable	-	9,073,794	9,073,794
Unrestricted	(18,195,580)	25,562,539	7,366,959
Total net position	141,803,538	131,819,139	273,622,677
 Total liabilities, deferred inflows of resources, and net position	 \$ 241,290,718	 173,235,644	 414,526,362

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, 2023

Functions/Programs	Expenses	Program Revenues			Primary Government Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 9,351,746	662,600	6,215,195	399,894	(2,074,057)	-	(2,074,057)
Public safety	29,613,393	-	1,525,614	-	(28,087,779)	-	(28,087,779)
Public works	15,129,053	50,886	834,177	1,246,519	(12,997,471)	-	(12,997,471)
Culture and recreation	13,638,028	267,408	16,332	-	(13,354,288)	-	(13,354,288)
Health and welfare	762,312	903,266	-	-	140,954	-	140,954
Economic development	1,325,698	-	-	-	(1,325,698)	-	(1,325,698)
Interest on long-term obligations	16,380	-	-	-	(16,380)	-	(16,380)
Total governmental activities	69,836,610	1,884,160	8,591,318	1,646,413	(57,714,719)	-	(57,714,719)
Business-type activities							
Joint utility	13,836,684	14,058,129	-	1,069,067	-	1,290,512	1,290,512
Solid waste	6,293,681	7,762,729	-	111,000	-	1,580,048	1,580,048
Museum	3,006	2,322	-	-	-	(684)	(684)
Golf pro shop	608,853	1,432,992	-	-	-	824,139	824,139
Total business-type activities	20,742,224	23,256,172	-	1,180,067	-	3,694,015	3,694,015
Total primary government	\$ 90,578,834	25,140,332	8,591,318	2,826,480	(57,714,719)	3,694,015	(54,020,704)
General Revenues:							
Gross receipts taxes					71,311,317	1,388,568	72,699,885
Property taxes, levied for general purposes					4,183,954	-	4,183,954
Lodgers' taxes					4,493,467	-	4,493,467
Cannabis excise taxes					368,100	-	368,100
Franchise taxes					949,050	-	949,050
Public service taxes					755,102	-	755,102
Licenses and permits					427,758	-	427,758
Fines					727,137	-	727,137
Interest income					610,372	338,675	949,047
Donations					177,556	-	177,556
Donations of infrastructure					-	-	-
Miscellaneous					125,872	29,992	155,864
Special item - Gain/(loss) on disposal of asset					(264,347)	(216,098)	(480,445)
Extraordinary item - brine well remediation expense					(1,500,000)	-	(1,500,000)
Transfers					(11,927,326)	11,927,326	-
Total general revenues, special items, and transfers					70,438,012	13,468,463	83,906,475
Change in net position					12,723,293	17,162,478	29,885,771
Net position, beginning of year					128,207,361	114,622,683	242,830,044
Restatements (Note 21)					872,884	33,978	906,862
Net position, beginning of year, restated					129,080,245	114,656,661	243,736,906
Net position, end of year					\$ 141,803,538	131,819,139	273,622,677

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, 2023**

	General Fund (101, 102)	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash	\$ 44,877,567	14,650,016	59,527,583
Receivables, net	13,234,406	4,516,354	17,750,760
Leases receivable	915,718	-	915,718
Restricted:			
Cash	-	50,510	50,510
Total assets	\$ 59,027,691	19,216,880	78,244,571
<u>Liabilities</u>			
Accounts payable	\$ 641,715	580,751	1,222,466
Accrued salaries	667,084	28,441	695,525
Accrued liabilities	133,711	4,657	138,368
Advance grant and lease payments	-	46,229	46,229
Deposits payable	12,200	-	12,200
Due to other funds	112,616	-	112,616
Total liabilities	1,567,326	660,078	2,227,404
<u>Deferred inflows of resources</u>			
Unavailable property tax revenue	288,595	-	288,595
Unavailable leases receivable	901,921	-	901,921
Unavailable charges for services	273,067	-	273,067
Total deferred inflows	1,463,583	-	1,463,583
<u>Fund balances</u>			
Nonspendable for:			
Leases receivable	13,797	-	13,797
Restricted for:			
Public safety	-	2,196,627	2,196,627
Sports complex activities	-	3,035,425	3,035,425
State mandated per statutes	-	5,921,371	5,921,371
State mandated budget reserve	5,431,568	-	5,431,568
Construction and improvements	-	278,014	278,014
Committed for:			
City budget reserve	5,431,568	-	5,431,568
Subsequent years' expenditures	22,754,331	-	22,754,331
Assigned	-	7,125,365	7,125,365
Unassigned	22,365,519	-	22,365,519
Total fund balances	55,996,782	18,556,802	74,553,584
Total liabilities, deferred inflows of resources and fund balances	\$ 59,027,691	19,216,880	78,244,571

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 BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2023**

Total fund balance, governmental funds	\$	74,553,584
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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.		143,653,073
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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		(210,134)
Subscription liability		(197,844)
Compensated absences		(1,233,016)
Net pension related deferrals and liability		(58,841,520)
Net OPEB related deferrals and liability		(20,630,220)

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

Lease liability		(306,826)
Subscription liability		(256,672)
Compensated absences		(763,472)

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		288,595
Charges for services		273,067

Residual balances of the internal service funds are included within the governmental activities and are not reported in the governmental funds.		5,474,920
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Rounding		3
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Total Net Position of Governmental Activities	\$	141,803,538
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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, 2023**

	General Fund (101, 102)	Non-Major Gov't Funds	Total Gov't Funds
<u>Revenues</u>			
Gross receipts taxes	\$ 63,328,870	7,982,448	71,311,318
Property taxes	4,200,080	-	4,200,080
Franchise taxes	949,050	-	949,050
Lodgers' taxes	-	4,493,467	4,493,467
Cannabis excise taxes	-	368,100	368,100
Public service taxes	-	755,102	755,102
Intergovernmental:			
Federal	105,304	5,934,787	6,040,091
State and local	760,123	3,437,516	4,197,639
Charges for services	1,801,243	98,719	1,899,962
Licenses and permits	311,195	116,563	427,758
Contributions and donations	177,556	-	177,556
Fines and forfeitures	-	727,137	727,137
Interest	553,693	17,372	571,065
Miscellaneous	41,397	-	41,397
Total revenues	72,228,511	23,931,211	96,159,722
<u>Expenditures</u>			
Current:			
General government	7,206,399	1,169,503	8,375,902
Public safety	25,109,465	2,833,602	27,943,067
Public works	8,658,016	1,249,411	9,907,427
Culture and recreation	6,188,260	3,603,382	9,791,642
Health and welfare	626,925	-	626,925
Economic development	1,261,600	61,943	1,323,543
Capital outlay	3,857,637	12,858,454	16,716,091
Debt service:			
Principal	511,261	72,321	583,582
Interest and other charges	15,882	497	16,379
Total expenditures	53,435,445	21,849,113	75,284,558
Excess (deficiency) of revenues over expenditures	18,793,066	2,082,098	20,875,164
<u>Other financing sources (uses)</u>			
Transfers in	6,034,055	1,086,453	7,120,508
Transfers (out)	(15,012,743)	(4,704,194)	(19,716,937)
Total other financing sources and (uses)	(8,978,688)	(3,617,741)	(12,596,429)
<u>Special item</u>			
Proceeds from sale of assets	32,920	7,440	40,360
Net change in fund balances	9,847,298	(1,528,203)	8,319,095
Fund balance, beginning of year	46,149,484	19,212,121	65,361,605
Restatements (Note 21)	-	872,884	872,884
Fund balance, beginning of year restated	46,149,484	20,085,005	66,234,489
Fund balance, end of year	\$ 55,996,782	18,556,802	74,553,584

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, 2023**

Net change in fund balances - total governmental funds: \$ 8,319,095

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:

Capital expenditures recorded in capital outlay	16,253,394
Depreciation and amortization expense	(12,226,498)
Transfers to business-type funds	(45,952)

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.

(304,708)

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	(16,126)
Charges for services	(15,802)

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:

Principal payments on lease and subscription liabilities	583,582
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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	5,747
Pension expense	(1,875,634)
OPEB revenue (expense)	3,278,837

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.

(1,232,645)

Rounding

3

Change in net assets of governmental activities	\$ <u>12,723,293</u>
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**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, 2023**

	Original Approved Budget	Final Approved Budget	Actual	Variances Favorable (Unfavorable)
<u>Revenues</u>				
Intergovernmental sources - federal	\$ -	4,000	49,764	45,764
Intergovernmental sources - state	2,022,277	2,063,519	1,770,700	(292,819)
Local and state shared taxes	43,981,479	43,981,479	59,321,610	15,340,131
Property taxes	3,709,845	3,709,845	4,182,156	472,311
Franchise taxes	831,500	831,500	980,886	149,386
Licenses and permits	206,000	206,000	304,548	98,548
Charges for services	1,109,700	1,109,700	1,394,100	284,400
Interest	39,000	39,000	553,693	514,693
Donations	-	91,500	177,556	86,056
Other revenue	16,000	19,000	117,563	98,563
Total revenues	51,915,801	52,055,543	68,852,576	16,797,033
<u>Expenditures</u>				
Current:				
General government	9,082,110	8,935,554	7,884,962	1,050,592
Public safety	28,476,279	29,148,525	27,370,714	1,777,811
Public works	10,511,999	10,856,526	9,434,965	1,421,561
Health and welfare	674,826	699,826	632,322	67,504
Culture and recreation	7,664,372	7,927,988	6,870,967	1,057,021
Economic development	1,748,769	1,776,928	1,284,707	492,221
Capital outlay				
Capital outlay	7,020,457	8,315,678	3,713,381	4,602,297
Total expenditures	65,178,812	67,661,025	57,192,018	10,469,007
Excess (deficiency) of revenues over (under) expenditures	(13,263,011)	(15,605,482)	11,660,558	27,266,040
<u>Other financing sources (uses)</u>				
Transfers in	3,695,212	6,034,055	6,034,055	-
Transfers out	(4,925,000)	(11,925,000)	(11,925,000)	-
Total other financing sources (uses)	(1,229,788)	(5,890,945)	(5,890,945)	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(14,492,799)	(21,496,427)	5,769,613	27,266,040
Budgeted cash carryover	14,492,799	21,496,427		
Total	\$ -	-		
<u>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</u>				
Change in fund balance (Budget Basis)			\$ 5,769,613	
To adjust applicable revenue accruals and deferrals			3,408,854	
To adjust applicable expenditure accruals			668,834	
Rounding			(3)	
Change in fund balance (GAAP basis)			\$ 9,847,298	

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, 2023

	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	\$ 14,370,223	14,586,770	841,516	29,798,509	4,311,210
Receivables					
Customer receivables, net	1,565,574	571,285	25,266	2,162,125	198,193
Due from other governments	605,128	-	-	605,128	-
Due from other funds	145,593	-	-	145,593	-
Inventory	1,069,797	-	67,413	1,137,210	-
Total current assets	17,756,315	15,158,055	934,195	33,848,565	4,509,403
Noncurrent assets					
Restricted cash	18,828,000	3,972,195	-	22,800,195	1,011,535
Restricted cash held by fiscal agent	240,864	-	-	240,864	-
Capital Assets					
Land and construction in progress	2,142,271	10,000	-	2,152,271	-
Other capital assets, net of accumulated depreciation and amortization	106,789,051	5,726,908	-	112,515,959	-
Total noncurrent assets	128,000,186	9,709,103	-	137,709,289	1,011,535
Deferred outflows of resources					
Pension related	878,961	337,808	-	1,216,769	-
OPEB related	365,129	128,869	-	493,998	-
Total deferred outflows of resources	1,244,090	466,677	-	1,710,767	-
Total assets and deferred outflows of resources	\$ 147,000,591	25,333,835	934,195	173,268,621	5,520,938

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, 2023**

	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
Liabilities					
Current liabilities					
Accounts payable	\$ 703,857	190,622	799	895,278	46,018
Accrued salaries	80,925	30,119	-	111,044	-
Accrued liabilities	82,528	-	5,240	87,768	-
Accrued interest payable	151,594	-	-	151,594	-
Customer deposits	605,762	-	-	605,762	-
Due to other funds	-	-	32,977	32,977	-
Current maturities of liabilities:					
Notes payable	1,668,362	-	-	1,668,362	-
Leases payable	6,189	1,850	-	8,039	-
Compensated absences	93,242	28,351	-	121,593	-
Total current liabilities	3,392,459	250,942	39,016	3,682,417	46,018
Noncurrent liabilities					
Notes payable	25,008,125	-	-	25,008,125	-
Leases payable	108,453	4,352	-	112,805	-
Compensated absences	141,599	50,670	-	192,269	-
Landfill closure and post-closure	-	556,102	-	556,102	-
Net pension liability	6,156,474	2,091,124	-	8,247,598	-
Net OPEB liability	1,183,062	417,551	-	1,600,613	-
Total noncurrent liabilities	32,597,713	3,119,799	-	35,717,512	-
Total liabilities	35,990,172	3,370,741	39,016	39,399,929	46,018
Deferred inflows of resources					
Pension related	354,722	120,684	-	475,406	-
OPEB related	1,163,500	410,647	-	1,574,147	-
Total deferred inflows of resources	1,518,222	531,331	-	2,049,553	-
Net position					
Net investment in capital assets	82,140,193	5,730,706	-	87,870,899	-
Restricted:					
Debt service	9,311,907	-	-	9,311,907	-
Endowment:					
Expendable	9,073,794	-	-	9,073,794	-
Unrestricted	8,966,303	15,701,057	895,179	25,562,539	5,474,920
Total net position	109,492,197	21,431,763	895,179	131,819,139	5,474,920
Total liabilities, deferred inflows of resources and net position	\$ 147,000,591	25,333,835	934,195	173,268,621	5,520,938

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, 2023

	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	\$ 14,058,129	7,762,729	1,435,314	23,256,172	6,420,236
<u>Operating expenses</u>					
Personnel services	4,604,089	1,923,985	-	6,528,074	-
Utilities	1,064,246	897	9,441	1,074,584	-
Contractual services	312,326	170,891	97,635	580,852	-
Repairs and maintenance	989,105	610,501	-	1,599,606	-
Insurance claims and expenses	-	-	-	-	6,991,719
Other supplies and expenses	719,359	2,692,400	504,783	3,916,542	-
Depreciation and amortization	5,748,315	894,972	-	6,643,287	-
Total operating expenses	13,437,440	6,293,646	611,859	20,342,945	6,991,719
Operating income (loss)	620,689	1,469,083	823,455	2,913,227	(571,483)
<u>Non-operating revenues (expenses)</u>					
Gross receipts taxes	-	1,388,568	-	1,388,568	-
Intergovernmental - federal	102,384	-	-	102,384	-
Intergovernmental - state and local	966,683	111,000	-	1,077,683	-
Investment income	261,065	77,610	-	338,675	24,905
Miscellaneous	3,734	17,468	8,790	29,992	98,878
Gain/(loss) on sale of assets	(244,488)	28,390	-	(216,098)	-
Interest expense	(399,244)	(35)	-	(399,279)	-
Total non-operating revenue (expenses)	690,134	1,623,001	8,790	2,321,925	123,783
Income (loss) before capital contributions and transfers	1,310,823	3,092,084	832,245	5,235,152	(447,700)
<u>Capital contributions, transfers, and extraordinary items</u>					
Transfers in	12,946,708	1,169,558	50,000	14,166,266	2,250,000
Transfers (out)	(732,577)	(1,506,363)	-	(2,238,940)	(1,534,945)
Extraordinary expense-brine well remediation	-	-	-	-	(1,500,000)
Total capital contributions, transfers and extraordinary items	12,214,131	(336,805)	50,000	11,927,326	(784,945)
Change in net position	13,524,954	2,755,279	882,245	17,162,478	(1,232,645)
Net position, beginning of year	95,933,265	18,676,484	12,934	114,622,683	6,707,565
Restatements (Note 21)	33,978	-	-	33,978	-
Net position, beginning of year, restated	95,967,243	18,676,484	12,934	114,656,661	6,707,565
Net position, end of year	\$ 109,492,197	21,431,763	895,179	131,819,139	5,474,920

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, 2023**

	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	\$ 13,217,013	7,709,262	1,410,078	22,336,353	-
Internal activity - receipts from other funds	-	-	-	-	6,268,681
Cash payments to suppliers for goods and services	(2,689,484)	(3,467,280)	(642,515)	(6,799,279)	-
Cash payments to employees for services	(4,872,734)	(2,022,104)	-	(6,894,838)	(6,982,589)
Net cash provided (used) by operating activities	5,654,795	2,219,878	767,563	8,642,236	(713,908)
<u>Cash flows for non-capital and financing activities</u>					
Cash received from gross receipts taxes	-	1,388,568	-	1,388,568	-
Utility deposit and miscellaneous receipts	1,072,801	128,468	8,790	1,210,059	98,878
Net transfers in (out)	12,214,131	(336,805)	50,000	11,927,326	(784,945)
Net cash provided (used) by non-capital and related financing activities	13,286,932	1,180,231	58,790	14,525,953	(686,067)
<u>Cash flows for capital and financing activities</u>					
Acquisition of capital assets	(4,948,262)	(2,152,965)	-	(7,101,227)	-
Cash from disposition of capital assets	23,496	38,560	-	62,056	-
Transfers in/out of capital assets	45,952	-	-	45,952	-
Principal payments on capital debt	(1,650,763)	(1,841)	-	(1,652,604)	-
Interest on capital debt	(399,244)	(35)	-	(399,279)	-
Net cash (used) by capital and related financing activities	(6,928,821)	(2,116,281)	-	(9,045,102)	-
<u>Cash flows from investing activities</u>					
Investment income	261,065	77,610	-	338,675	24,905
Net cash provided (used) by investing activities	261,065	77,610	-	338,675	24,905
Net increase (decrease) in cash	12,273,971	1,361,438	826,353	14,461,762	(1,375,070)
Cash and cash equivalents, beginning of year	21,165,116	17,197,527	15,163	38,377,806	6,697,815
Cash and cash equivalents, end of year	\$ 33,439,087	18,558,965	841,516	52,839,568	5,322,745
Displayed as					
Cash	\$ 14,370,223	14,586,770	841,516	29,798,509	4,311,210
Restricted cash	18,828,000	3,972,195	-	22,800,195	1,011,535
Restricted cash held be fiscal agent	240,864	-	-	240,864	-
Total cash	\$ 33,439,087	18,558,965	841,516	52,839,568	5,322,745
<u>Reconciliation of operating income (loss) to net cash provided by operating activities:</u>					
Operating income (loss)	\$ 620,689	1,469,083	823,455	2,913,227	(571,483)
Adjustment to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	5,748,315	894,972	-	6,643,287	-
Landfill closure & post closure liability	-	60,237	-	60,237	-
Pension expense	179,863	63,481	-	243,344	-
OPEB expense/revenue	(314,917)	(111,147)	-	(426,064)	-
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(841,116)	(53,467)	(25,236)	(919,819)	(185,509)
(Increase) decrease in inventories	(135,849)	-	(34,436)	(170,285)	-
Increase (decrease) in accounts payable	531,401	(52,828)	(1,423)	477,150	43,084
Increase (decrease) in accrued salaries	(142,155)	(55,007)	-	(197,162)	-
Increase (decrease) in accrued liabilities	4,141	-	5,203	9,344	-
Increase (decrease) in compensated absences	4,423	4,554	-	8,977	-
Total adjustments	5,034,106	750,795	(55,892)	5,729,009	(142,425)
Net cash provided (used) by operating activities	\$ 5,654,795	2,219,878	767,563	8,642,236	(713,908)

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
CUSTODIAL FUNDS
AS OF JUNE 30, 2023

	Custodial Funds
Assets	
Cash	\$ 115,741
Receivables	<u>5,229</u>
Total assets	<u>\$ 120,970</u>
Liabilities	
Accounts payable	\$ <u>51</u>
Total liabilities	51
Net position	
Restricted for:	
Individuals, other governments	<u>120,919</u>
Total net position	<u>\$ 120,919</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, 2023**

	Custodial Funds
Additions	
Fees	\$ 108,818
Total additions	<u>108,818</u>
Deductions	
Insurance	2,121
Professional contracts	68,054
Fee payments	<u>13,201</u>
Total deductions	<u>83,376</u>
Net increase (decrease) in fiduciary net position	25,442
Net position, beginning	90,995
Restatement (Note 21)	<u>4,482</u>
Net position, beginning-restated	<u>95,477</u>
Net position, ending	<u><u>\$ 120,919</u></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, 2023**

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 U.S. 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.

Recently Issued and Adopted Accounting Standards

In March 2020, the GASB issued Statement No. 94 (GASB 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of GASB 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). GASB 94 is effective for the City's financial statements for the year ended June 30, 2023. There was no material impact to the City's financial statements for the year ended June 30, 2023 as a result of adopting GASB 94.

In May 2020, the GASB issued Statement No. 96 (GASB 96), *Subscription-Based Information Technology Arrangements* (SBITAs), which is effective for the year ended June 30, 2023. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). GASB 96 defines an SBITA, establishes that an SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments (including implementation costs of an SBITA), and requires note disclosures regarding an SBITA. The City adopted GASB 96 for the year ended June 30, 2023.

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.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

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

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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*.

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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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

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

Governmental Fund Financial Statements—Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the government considers revenue to be available as follows: grant revenue, if they are collected within 12 months of the end of the current fiscal period, all other revenue, if they are collected within 60 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 are paid to the City; therefore, revenues

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are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation 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

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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 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.

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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.

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

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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 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.

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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.

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.

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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.

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

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subsequent fiscal year. Such appropriated balance is presented as a committed portion of fund balance.

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

E. Assets, 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

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receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

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. The City had no prepaid items as of June 30, 2023.

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 fiduciary 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

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appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Capital Assets

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

The City has recorded right-to-use leased 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.

Intangible Assets – Right-to-Use Subscription Assets

The City has recorded right-to-use subscription assets as a result of implementing GASB 96. Subscription liabilities are capitalized as a right-to-use asset when the subscription asset has a calculated present value of \$25,000 or greater and an estimated useful life of more than one

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year. Right-to-use subscription 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 subscription asset in service. Amortization for right-to-use subscription assets is computed using the straight-line method over the shorter of the subscription 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 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.

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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.

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

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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 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

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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 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 budgets expenditures in the General Fund be restricted as subsequent-year expenditures to

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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 in Preparation of Financial Statements

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 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 right-to-use assets and related liabilities,
- inputs and methods related to pension and OPEB unfunded 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.

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Cash Deposited with Financial Institutions

The City maintains cash in three 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, 2023, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks.

The locations and amounts deposited are as follows:

	Per Institution	Reconciling Items	Per Financial Statements
Cash on hand	\$ 9,750	-	9,750
Carlsbad National Bank	42,490,488	(831,891)	41,658,597
Wells Fargo Bank	69,944,980	(1,108,421)	68,836,559
Western Commerce Bank	7,297,184	(186,806)	7,110,378
Cash held by NMFA	240,864	-	240,864
Total	<u>\$ 119,983,266</u>	<u>(2,127,118)</u>	<u>117,856,148</u>

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

Statement of Net Position	Amount
Cash	\$ 93,637,303
Restricted	23,862,240
Restricted - held by NMFA	240,864
Total	<u>117,740,407</u>
 Custodial funds	 <u>115,741</u>
Total cash	<u>\$ 117,856,148</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

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pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	Carlsbad National Bank	Wells Fargo Bank, N.A.	Western Commerce Bank
Total deposits in bank	\$ 42,490,488	69,944,980	7,297,184
Less FDIC coverage	(250,000)	(250,000)	(500,000)
Uninsured public funds	42,240,488	69,694,980	6,797,184
Pledged collateral held by pledging bank's trust, but not in the City's name	22,939,561	35,078,780	6,305,883
Uninsured and uncollateralized public funds	19,300,927	34,616,200	491,301
Total pledged collateral	22,939,561	35,078,780	6,305,883
50% pledged collateral requirement per state statute	21,120,244	34,847,490	3,398,592
Pledged collateral (under) over the requirements	\$ 1,819,317	231,290	2,907,291

A detailed listing of the pledged collateral is contained in the other 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.

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CITY OF CARLSBAD
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FOR THE YEAR ENDED JUNE 30, 2023**

As of June 30, 2023, \$118,732,652 of the City's bank balance of \$119,732,652 was exposed to custodial credit risk as follows:

	Carlsbad National 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	\$ <u>42,240,488</u>	<u>69,694,980</u>	<u>6,797,184</u>

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 needed by the City. Additionally, the City is required to set aside reserve amounts for the debt obligations. As of June 30, 2023, NMFA held \$240,864.

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**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 4. RECEIVABLES

Receivables, net of allowance for doubtful accounts, at June 30, 2023, consisted of the following:

Types of Receivables	Governmental Activities	Business-Type Activities	Internal Service Activities	Totals
Accounts receivable				
Charges for services	\$ 642,644	2,196,184	-	2,838,828
Other	390,513	28,295	198,193	617,001
Allowance for doubtful accounts	(172,022)	(314,802)	-	(486,824)
Total	861,135	1,909,677	198,193	2,969,005
Taxes receivable				
Gross receipts taxes	13,234,064	252,448	-	13,486,512
Franchise taxes	118,793	-	-	118,793
Property taxes	430,413	-	-	430,413
Lodgers' taxes	410,241	-	-	410,241
Other taxes	138,749	-	-	138,749
Allowance for doubtful accounts	(8,608)	-	-	(8,608)
Total	14,323,652	252,448	-	14,576,100
Intergovernmental receivables				
Federal	1,393,416	-	-	1,393,416
State	1,172,559	-	-	1,172,559
Local	-	605,128	-	605,128
Total	2,565,975	605,128	-	3,171,103
Receivables, net	17,750,762	2,767,253	198,193	20,716,208
Leases receivable	915,718	-	-	915,718
Total receivables	\$ 18,666,480	2,767,253	198,193	21,631,926

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, 2023**

Leases Receivable

The City entered into multiple building leases. The City's lessor leasing arrangements at June 30, 2023 are summarized below (excluding short-term leases):

	Lease Receivable Balance June 30, 2023	Current Portion	Number of Lease Contracts	Lease Terms*	Interest Rates
<u>Governmental Activities</u>					
Lessor					
Buildings	\$ 915,719	\$ 66,238	4	2-27 years	0.50% - 1.75%
Total leases receivable	<u>\$ 915,719</u>	<u>66,238</u>			

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

For the year ended June 30, 2023, the City recognized the following lease income and interest earned on leases:

<u>Governmental Activities</u>	<u>2023</u>
Lease income	\$ 72,261
Lease interest	\$ 14,403

The future minimum lease receipts of these leases in governmental activities as of June 30, 2023, were as follows:

<u>Year Ending June 30,</u>	<u>Principal Reduction</u>	<u>Interest income</u>	<u>Total</u>
2024	\$ 66,238	13,815	80,053
2025	66,225	13,143	79,368
2026	56,804	12,527	69,331
2027	29,590	12,010	41,600
2028	30,025	11,575	41,600
2029-2033	132,851	50,882	183,733
2034-2038	140,930	39,070	180,000
Thereafter	393,056	38,945	432,001
	<u>\$ 915,719</u>	<u>191,967</u>	<u>1,107,686</u>

NOTE 5. 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

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
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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, 2023, 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.

For the year ended June 30, 2023, the City recognized the following in lease income on regulated airport leases:

<u>Government-type Activities</u>	<u>2023</u>
Regulated lease income	\$ 25,400

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, 2023, were as follows:

	<u>Regulated Airport Leases</u>
2024	\$ 16,946
2025	15,626
2026	15,699
2027	15,939
2028	16,247
2029-2033	72,050
2034-2038	73,172
2039-2043	76,909
2044-2048	80,633
2049-2053	<u>43,201</u>
	<u>\$ 426,422</u>

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CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 6. 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.

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 2023, was 6.225 per \$1,000 for non-residential and 4.744 for residential property.

NOTE 7. 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 \$172,022 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, 2023, is \$314,802.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 8. CAPITAL ASSETS

Capital assets, including right-to-use leased and subscription assets for the year ended June 30, 2023, are as follows:

<u>Governmental Activities</u>	<u>Balance 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers & Adjustments</u>	<u>Balance 2023</u>
<i>Non-Depreciable Capital Assets</i>					
Land	\$ 2,062,549	36,824	-	-	2,099,373
Construction in progress	<u>1,258,533</u>	<u>168,441</u>	<u>-</u>	<u>(1,248,839)</u>	<u>178,135</u>
Total non-depreciable capital assets	3,321,082	205,265	-	(1,248,839)	2,277,508
<i>Capital Assets Being Depreciated</i>					
Buildings	93,781,262	2,341,163	(13,521)	738,944	96,847,848
Improvements	4,632,339	1,221,531	(116,424)	-	5,737,446
Infrastructure	121,512,398	7,523,724	(4,945,023)	-	124,091,099
Machinery, equipment & vehicles	<u>35,834,960</u>	<u>4,961,711</u>	<u>(2,308,505)</u>	<u>526,747</u>	<u>39,014,913</u>
Total capital assets being depreciated	255,760,959	16,048,129	(7,383,473)	1,265,691	265,691,306
<i>Less Accumulated Depreciation For:</i>					
Buildings	(42,928,520)	(3,364,441)	13,521	13,037	(46,266,403)
Improvements	(1,330,183)	(627,527)	92,186	-	(1,865,524)
Infrastructure	(51,903,092)	(5,008,246)	4,834,468	-	(52,076,870)
Machinery, equipment & vehicles	<u>(24,496,666)</u>	<u>(2,557,091)</u>	<u>2,138,590</u>	<u>(75,841)</u>	<u>(24,991,008)</u>
Total accumulated depreciation	<u>(120,658,461)</u>	<u>(11,557,305)</u>	<u>7,078,765</u>	<u>(62,804)</u>	<u>(125,199,805)</u>
Total capital assets being depreciated, net	135,102,498	4,490,824	(304,708)	1,202,887	140,491,501
<i>Amortizable right-to-use assets</i>					
Leased equipment	1,070,022	-	-	-	1,070,022
Subscription assets	<u>-</u>	<u>704,435</u>	<u>-</u>	<u>-</u>	<u>704,435</u>
Total amortizable assets	1,070,022	704,435	-	-	1,774,457
<i>Less accumulated amortization</i>					
Leased equipment	(221,200)	(337,627)	-	-	(558,827)
Subscription assets	<u>-</u>	<u>(331,566)</u>	<u>-</u>	<u>-</u>	<u>(331,566)</u>
Total accumulated amortization	<u>(221,200)</u>	<u>(669,193)</u>	<u>-</u>	<u>-</u>	<u>(890,393)</u>
Total amortizable assets being amortized, net	<u>848,822</u>	<u>35,242</u>	<u>-</u>	<u>-</u>	<u>884,064</u>
Total capital assets, net of depreciation and amortization	<u>\$ 139,272,402</u>	<u>4,731,331</u>	<u>(304,708)</u>	<u>(45,952)</u>	<u>143,653,073</u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Business-type Activities</u>	<u>Balance 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers & Adjustments</u>	<u>Balance 2023</u>
<i>Non-Depreciable Capital Assets</i>					
Land and water rights	\$ 1,317,586	15,530	-	-	1,333,116
Construction in progress	<u>3,115</u>	<u>816,040</u>	<u>-</u>	<u>-</u>	<u>819,155</u>
Total non-depreciable capital assets	1,320,701	831,570	-	-	2,152,271
<i>Capital Assets Being Depreciated</i>					
Buildings and improvements	44,838,476	149,165	(719,601)	3,442,825	47,710,865
Machinery, equipment & vehicles	21,316,873	2,894,453	(926,130)	(75,841)	23,209,355
Utility system & facility	<u>110,125,494</u>	<u>3,168,115</u>	<u>(14,819)</u>	<u>(3,383,836)</u>	<u>109,894,954</u>
Total capital assets being depreciated	176,280,843	6,211,733	(1,660,550)	(16,852)	180,815,174
<i>Less Accumulated Depreciation For:</i>					
Buildings and improvements	(24,534,660)	(1,870,535)	445,299	(1,070,725)	(27,030,621)
Utility system & facility	(24,869,086)	(3,043,852)	14,819	1,057,688	(26,840,431)
Machinery, equipment & vehicles	<u>(13,823,797)</u>	<u>(1,718,989)</u>	<u>922,277</u>	<u>75,841</u>	<u>(14,544,668)</u>
Total accumulated depreciation	<u>(63,227,543)</u>	<u>(6,633,376)</u>	<u>1,382,395</u>	<u>62,804</u>	<u>(68,415,720)</u>
Total capital assets being depreciated, net	113,053,300	(421,643)	(278,155)	45,952	112,399,454
<i>Amortizable right-to-use assets</i>					
Leased equipment	<u>134,628</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,628</u>
Total amortizable assets	134,628	-	-	-	134,628
<i>Less accumulated amortization</i>					
Leased equipment	<u>(8,212)</u>	<u>(9,911)</u>	<u>-</u>	<u>-</u>	<u>(18,123)</u>
Total accumulated amortization	<u>(8,212)</u>	<u>(9,911)</u>	<u>-</u>	<u>-</u>	<u>(18,123)</u>
Total amortizable assets being amortized, net	<u>126,416</u>	<u>(9,911)</u>	<u>-</u>	<u>-</u>	<u>116,505</u>
Total capital assets, net of depreciation and amortization	<u>\$ 114,500,417</u>	<u>400,016</u>	<u>(278,155)</u>	<u>45,952</u>	<u>114,668,230</u>

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**STATE OF NEW MEXICO
CITY OF CARLSBAD
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Depreciation and amortization expense was charged to functions (programs) and funds as follows:

<u>Governmental activities</u>	
General Government	\$ 1,104,192
Public Safety	1,759,191
Public Works	5,308,446
Culture & Recreation	3,910,696
Health & Welfare	141,818
Economic Development	2,155
Total	<u>\$ 12,226,498</u>
<u>Business-type activities</u>	
Solid Waste	\$ 894,972
Joint Water and Sewer	5,748,315
Total	<u>\$ 6,643,287</u>

NOTE 9. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2023, consisted of the following:

Description	Governmental Activities	Business Type Activities
State tax payable	\$ 133,711	87,768
Court related fees	4,657	-
Total	<u>\$ 138,368</u>	<u>87,768</u>

NOTE 10. LONG-TERM OBLIGATIONS

Changes in governmental activities obligations during the year ended June 30, 2023, were as follows:

	Balance 2022	Additions	Retirements	Balance 2023	Amounts Due Within One Year
<u>Governmental Activities</u>					
Lease liability	\$ 850,621	-	(333,661)	516,960	306,826
Subscription liability	-	704,435	(249,919)	454,516	256,672
Compensated absences	2,002,235	1,726,910	(1,732,657)	1,996,488	763,472
Net pension liability	47,987,707	20,778,620	(3,392,339)	65,373,988	-
Net OPEB liability	17,998,531	-	(5,680,764)	12,317,767	-
Total	<u>\$ 68,839,094</u>	<u>23,209,965</u>	<u>(11,389,340)</u>	<u>80,659,719</u>	<u>1,326,970</u>

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FOR THE YEAR ENDED JUNE 30, 2023**

Compensated Absences

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, 2023, were as follows:

<u>Business-Type Activities</u>	<u>Balance 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 2023</u>	<u>Amounts Due Within One-Year</u>
Notes payable	\$ 28,321,260	-	(1,644,773)	26,676,487	1,668,362
Lease liability	128,673	-	(7,829)	120,844	8,039
Landfill closure	495,865	60,237	-	556,102	-
Compensated absences	304,885	329,291	(320,314)	313,862	121,593
Net pension liability	5,988,747	2,699,664	(440,813)	8,247,598	-
Net OPEB liability	2,338,792	-	(738,179)	1,600,613	-
Total	<u>\$ 37,578,222</u>	<u>3,089,192</u>	<u>(3,151,908)</u>	<u>37,515,506</u>	<u>1,797,994</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 \$14 million for the year ended June 30, 2023.

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The annual requirements to amortize this note outstanding as of June 30, 2023, including interest payments, are as follows:

	Principal	Interest	Total
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	978,141	112,246	1,090,387
2029-2033	5,039,399	412,538	5,451,937
2034-2038	5,207,058	155,478	5,362,536
Total	\$ 15,041,272	1,225,136	16,266,408

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 \$14 million for the year ended June 30, 2023.

The annual requirements to amortize this note outstanding as of June 30, 2023, including interest payments, are as follows:

	Principal	Interest	Total
2024	\$ 728,387	232,704	961,091
2025	742,955	218,136	961,091
2026	757,814	203,277	961,091
2027	772,971	188,120	961,091
2028	788,430	172,661	961,091
2029-2033	4,185,082	620,377	4,805,459
2034-2038	3,659,576	184,790	3,844,366
Total	\$ 11,635,215	1,820,065	13,455,280

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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 Eddy County place a final cover on the 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 \$3,383,283 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, 2023. 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 25 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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FOR THE YEAR ENDED JUNE 30, 2023**

The following calculation details the current amount recognized for landfill closure and post closure care as of June 30, 2023:

Estimated landfill closure cost	\$ 2,177,116
Estimated landfill post-closure care cost	<u>1,206,167</u>
Total estimated closure and post-closure costs	<u><u>\$ 3,383,283</u></u>
 FY23 tonnage received	 115,609
conversion to compacted cubic yards in-place	<u>2</u>
Cubic yards	<u><u>231,218</u></u>
 FY22 capacity used to date	 4,352,347
FY23 tonnage received/capacity used	<u>231,218</u>
FY23 capacity used to date	<u><u>4,583,565</u></u>
 Total capacity used to date (approximately 4,583,565 gate cubic yards) as a percentage of total capacity (13,943,056 gate cubic yards including expansion)	 <u>32.87%</u>
 Total estimated closure and post-closure costs	 \$ 3,383,283
Total capacity used to date	<u>32.87%</u>
Estimated closure and post-closure care costs	<u><u>\$ 1,112,202</u></u>
 Estimated closure and post-closure care costs	 1,112,202
Prior year liability	<u>991,729</u>
Increase (decrease) in estimated liability	<u><u>\$ 120,473</u></u>
 City of Carlsbad's portion (50%)	 <u><u>\$ 60,237</u></u>
 Prior year liability recognized	 \$ 495,865
Increase (decrease) in estimated liability	<u>60,237</u>
Estimated liability for the fiscal year ended June 30, 2023	<u><u>\$ 556,102</u></u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Lease Liabilities

The City entered into multiple equipment leases. The City's lessee leasing arrangements at June 30, 2023 are summarized below (excluding short-term leases):

	Lease Liability Balance <u>June 30, 2023</u>	Current Portion	Number of Lease Contracts	Remaining Lease Terms	Interest Rate
<u>Governmental Activities</u>					
Lessee					
Equipment	\$ <u>516,960</u>	<u>306,826</u>	12	~1-3 years	0.50%
Total governmental activities	516,960	306,826			
<u>Business-Type Activities</u>					
Lessee					
Equipment	<u>120,844</u>	<u>8,039</u>	2	~ 3-21 years	.5% - 1.75%
Total business-type activities	<u>120,844</u>	<u>8,039</u>			
Total lease liability	\$ <u><u>637,804</u></u>	<u><u>314,865</u></u>			

*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, 2023 were as follows:

<u>Governmental Activities</u>			
Year Ending June 30,	Principal Payments	Interest Payments	Total
2024	\$ 306,826	1,710	308,536
2025	155,305	578	155,883
2026	41,567	166	41,733
2027	<u>13,262</u>	<u>9</u>	<u>13,271</u>
	\$ <u><u>516,960</u></u>	<u><u>2,463</u></u>	<u><u>519,423</u></u>

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

<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>
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	3,784	1,555	5,339
2029-2033	22,549	6,650	29,199
2034-2038	29,468	4,381	33,849
Thereafter	34,957	1,457	36,414
	<u>\$ 120,844</u>	<u>20,999</u>	<u>141,843</u>

Subscription Liabilities

The City entered into several subscription-based information technology arrangement (SBITA). The City's arrangements at June 30, 2023 is summarized below (excluding short-term SBITA's):

	<u>Subscription</u>		<u>Number of</u>	<u>Remaining</u>	
	<u>Liability</u>	<u>Current</u>	<u>Subscription</u>	<u>Subscription</u>	
	<u>Balance</u>	<u>Portion</u>	<u>Contracts</u>	<u>Terms*</u>	<u>Interest Rate</u>
	<u>June 30, 2023</u>				
<u>Governmental Activities</u>					
Software subscriptions	\$ 454,516	256,672	2	~ 1-2 years	1.55 - 3.00%
Total governmental activities	454,516	256,672			
Total subscription liability	<u>\$ 454,516</u>	<u>256,672</u>			

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

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

The future minimum subscription obligations in governmental activities as of June 30, 2023, were as follows:

<u>Governmental 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>
2024	\$ 256,672	6,264	262,936
2025	197,844	16	197,860
	<u>\$ 454,516</u>	<u>6,280</u>	<u>460,796</u>

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NOTE 11. 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-8, 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, Section 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 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 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

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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 65 with 5 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 annual comprehensive financial report obtained at saonm.org using the Audit Report Search function for agency 366, for the employer and employee contribution rates in effect for fiscal year 2023.

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

At June 30, 2023, the City reported a liability of \$73,621,586 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2022 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2022. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2022. 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, 2022, the City's proportion was 2.206331%, which was a decrease of 0.191712% from its proportion measured as of June 30, 2021.

For PERA Fund Division; Municipal General Division, at June 30, 2023, the City reported a liability of \$32,649,893 for its proportionate share of the net pension liability. At June 30, 2022, the City's proportion was 1.840770%, which was a decrease of 0.075684% from its proportion measured as of June 30, 2021. For the year ended June 30, 2023, the City recognized PERA Fund Division; Municipal General Division pension expense of \$2,578,864.

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At June 30, 2023, 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	\$ 130,886	794,032
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	3,231,219	-
Change in proportion and differences between the City contributions and proportionate share of contributions	283,395	960,062
The City contributions subsequent to the measurement date	<u>1,738,097</u>	<u>-</u>
Total	<u>\$ 5,383,597</u>	<u>1,754,094</u>

\$1,738,097 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2024	\$ 434,676
2025	201,355
2026	(1,295,902)
2027	2,551,277
2028	-
Thereafter	<u>-</u>
	<u>\$ 1,891,406</u>

For PERA Fund Division; Municipal Police Division, at June 30, 2023, the City reported a liability of \$17,425,405 for its proportionate share of the net pension liability. At June 30, 2022, the City's proportion was 2.168230%, which was a decrease of 0.050961% from its proportion measured as of

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June 30, 2021. For the year ended June 30, 2023, the City recognized PERA Fund Division; Municipal Police Division pension expense of \$2,271,523.

At June 30, 2023, 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>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 453,901	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,522,596	-
Change in proportion and differences between the City contributions and proportionate share of contributions	74,849	329,122
The City contributions subsequent to the measurement date	<u>1,404,172</u>	<u>-</u>
Total	<u>\$ 3,455,518</u>	<u>329,122</u>

\$1,404,172 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2024	\$ 680,977
2025	313,715
2026	(483,435)
2027	1,210,967
2028	-
Thereafter	<u>-</u>
	<u>\$ 1,722,224</u>

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For PERA Fund Division; Municipal Fire Division, at June 30, 2023, the City reported a liability of \$23,546,288 for its proportionate share of the net pension liability. At June 30, 2022, the City's proportion was 3.100420%, which was an decrease of 0.343852% from its proportion measured as of June 30, 2021. For the year ended June 30, 2023, the City recognized PERA Fund Division; Municipal Fire Division pension expense of \$1,659,721.

At June 30, 2023, 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	\$ 146,457	16,622
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,049,882	-
Change in proportion and differences between the City contributions and proportionate share of contributions	-	1,913,596
The City contributions subsequent to the measurement date	<u>1,251,809</u>	<u>-</u>
Total	<u>\$ 2,448,148</u>	<u>1,930,218</u>

\$1,251,809 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, 2023.

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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
2024	\$ (471,005)
2025	(430,055)
2026	(656,754)
2027	823,935
2028	-
Thereafter	-
	<u>\$ (733,879)</u>

Actuarial assumptions – The total pension liability in the June 30, 2022 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, 2021
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll for all divisions except for the Legislative division which is Level Dollar
Amortization period	25 years
Actuarial assumptions	
Investment rate of return	7.25% annual rate
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50%
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)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2021. The total pension liability was rolled-forward

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from the valuation date to the plan year ended June 30, 2022. These assumptions were adopted by the Board use in the June 30, 2021 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%	6.35%
Risk Reduction & Mitigation	19.50%	1.90%
Credit Oriented Fixed Income	15.00%	4.45%
Real Assets to include Real Estate Equity	20.00%	5.10%
Multi-Risk Allocation	10.00%	6.65%
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, 2022. 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 using the discount rate of 7.25 percent, as well as what the City’s proportionate share of the net

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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
PERA Fund Division -	(6.25%)	(7.25%)	(8.25%)
Municipal General Division	\$ 49,406,284	32,649,892	18,729,760
Municipal Police Division	\$ 26,143,371	17,425,405	10,292,465
Municipal Fire Division	\$ 31,015,016	23,546,288	17,413,423

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in separately issued PERA’S financial reports.

Payable Changes in the Net Pension Liability - At June 30, 2023, the City reported a payable of \$165,995 for outstanding contributions due to NMPERA.

NOTE 12. 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,

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that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms – At June 30, 2022, 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	11,759
Current active members	92,500
	<u>157,351</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	49,224
	<u>92,520</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. Contributions to the Fund from the City were \$645,050 for the year ended June 30, 2023.

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

At June 30, 2023, the City reported a liability of \$13,918,380 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2022. At June 30, 2022, the City’s proportion was 0.60211 percent.

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For the year ended June 30, 2023, the City recognized OPEB income of \$3,060,263. At June 30, 2023 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	\$ 231,504	2,062,999
Changes of assumptions	2,969,852	10,317,538
Net difference between projected and actual investment earnings on OPEB plan investments	191,921	-
Change in proportion	257,309	1,307,701
Contributions subsequent to the measurement date	645,050	-
Total	<u>\$ 4,295,636</u>	<u>13,688,238</u>

Deferred outflows of resources totaling \$645,050 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
2024	\$ (2,959,450)
2025	(2,291,686)
2026	(1,559,786)
2027	(2,063,879)
2028	(1,162,851)
Thereafter	-
Total	<u>\$ (10,037,652)</u>

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Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions:

Valuation date	June 30, 2021
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 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 total OPEB liability is 5.42% as of June 30, 2022. 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 Authority'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, 2059. The 7.00% discount rate, which includes the assumed inflation rate of 2.30% for ERB members and 2.50% for PERA members, was used to calculate the net OPEB liability through 2052. Beyond 2059, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.54%) was applied. Thus, 5.42% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.

The following presents the net OPEB liability, calculated using the discount rate of 5.42% as of June 30, 2022, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

1% Decrease (4.42%)	Current Discount (5.42%)	1% Increase (6.42%)
\$ 17,320,567	\$ 13,918,380	\$ 11,205,819

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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
\$	11,152,246	\$ 13,918,380	\$ 16,275,850

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, 2022.

Payable Changes in the Net OPEB Liability. At June 30, 2023, the City reported a payable of \$24,231 for outstanding contributions due to NMRHCA.

NOTE 13. COMMITMENTS

The City has the following construction projects, which are evidenced by contractual arrangements with construction contractors, as of June 30, 2023:

Commitments of Governmental-type Activities

Project	Contract Amount	Spent to Date	Commitment Remaining	Percentage Complete
Riverwalk Recreation Center-Exterior Paint/Construction	\$ 362,159	12,159	350,000	3%
Dark Canyon Bridge	4,378,245	3,235	4,375,010	0%
City Hall Cashier Office	200,000	2,567	197,433	1%
Honor Guard Cemetery-Columbarium	200,000	16,570	183,430	8%
Tyler/WatchGuard Interface	45,000	2,168	42,832	5%
Friendship Park Splash Pad	850,000	10,795	839,205	1%
Library Roof Replacement	440,000	18,304	421,696	4%
Museum Roof Replacement	440,000	18,304	421,696	4%
Riverwalk Recreation Center-HVAC Replacement	750,000	72,577	677,423	10%
Cemetery Expansion Design	20,000	9,403	10,597	47%
Shorthorn Park Remediation Design	23,760	8,126	15,634	34%
Pickleball Playground Equipment	108,260	3,927	104,333	4%
	<u>\$ 7,817,424</u>	<u>178,135</u>	<u>7,639,289</u>	

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Commitments of Business-type Activities

Project	Contract Amount	Spent to Date	Commitment Remaining	Percentage Complete
Treatment Plant-UV Disinfection Bank	\$ 100,000	17,405	82,595	17%
Liftstation-Bataan	3,095,000	801,750	2,293,250	26%
	<u>\$ 3,195,000</u>	<u>819,155</u>	<u>2,375,845</u>	

NOTE 14. 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 15. CONTINGENT LIABILITIES

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

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

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FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 16. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

U.S. generally accepted accounting principles require disclosure of certain information concerning individual funds including:

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

There were no funds that had deficit fund balances for the year ended June 30, 2023.

2. Excess of Expenditures Over Appropriations

There were no funds that exceeded approved budgetary authority for the year ended June 30, 2023.

3. Designated Cash Appropriations

There were no funds that exceeded approved designated cash appropriations for the year ended June 30, 2023.

NOTE 17. 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>Fund level</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 6,034,055	(15,012,743)
Solid Waste Fund	1,169,558	(1,506,363)
Joint Water & Sewer Fund	12,946,708	(732,577)
Other Governmental Funds	1,086,453	(4,704,194)
Other Enterprise Funds	50,000	-
Internal Service Funds	2,250,000	(1,534,945)
Fiduciary Funds	-	-
 <u>Government-wide level</u>		
Transfer for capital assets	-	(45,952)
Total	<u>\$ 23,536,774</u>	<u>(23,536,774)</u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 18. 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 19. TAX ABATEMENTS

The City has no tax abatement agreements as of June 30, 2023, and therefore no disclosures under GASB 77 are required.

NOTE 20. EXTRAORDINARY ITEM — BRINE WELL REMEDIATION EXPENSE

In June 2021, the City of Carlsbad, Eddy County, and the State of New Mexico Energy, Minerals and Natural Resources Department (EMNRD) signed a memorandum of agreement (MOA) to remediate the Carlsbad Brine Well. During the fiscal year ended June 30, 2023, the City paid \$1.5 million as their agreed upon portion of the project.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 21. RESTATEMENTS

After a review of the prior year's statements of financial position of the government-wide activities and the individual funds, the City has determined that errors existed in several of the statements. As a result, the following adjustments have been made to the beginning equity amounts of both the government-wide and the individual fund statements:

Fund	Purpose/Reason	Impact on Fund Balance/ Net Position
Governmental activities		
Airport (202)	To correct prior year grant receivable	\$ 842,512
Cannabis Revenue (360)	To correct prior year cannabis excise tax receivable	30,372
Total governmental funds		<u>872,884</u>
Business-type activities		
Proprietary funds		
Joint Water and Sewer (700)	To correct prior year grant receivable	<u>33,978</u>
Total business-type activities		33,978
Fiduciary activities		
Eddy-Lea Energy Alliance (980)	To correct prior year fee receivable	<u>4,482</u>
Total fiduciary activities		<u>4,482</u>
Total restatements		<u><u>\$ 911,344</u></u>

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*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
	Measurement Date as of								
	June 30, 2022	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	1.840770%	1.916454%	1.8775%	1.9110%	1.9566%	1.8488%	1.8910%	1.8023%	1.6672%
Municipal Police	2.168230%	2.219191%	2.2477%	2.1941%	1.9877%	2.0794%	2.0286%	1.8730%	1.7809%
Municipal Fire	3.100420%	3.444272%	3.4576%	3.5830%	3.2708%	3.3918%	3.3058%	3.0425%	2.8478%
	2.206331%	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	\$ 32,649,892	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	17,425,405	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	23,546,288	20,907,596	26,152,380	24,623,697	20,935,172	19,405,998	22,053,047	15,702,896	11,886,699
	\$ 73,621,585	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	\$ 15,961,878	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	6,133,029	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	4,997,320	5,079,447	4,769,041	4,426,818	4,156,273	4,110,199	3,853,487	3,465,760	4,339,740
	\$ 27,092,226	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	204.55%	134.39%	203.40%	188.20%	189.02%	152.83%	187.06%	123.16%	81.28%
Municipal Police	284.12%	184.49%	401.23%	362.29%	322.89%	269.56%	369.00%	245.37%	124.98%
Municipal Fire	471.18%	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	69.35%	77.25%	66.36%	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%
Municipal Police	69.35%	77.25%	66.36%	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%
Municipal Fire	69.35%	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.

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*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutory required contribution									
Municipal General	\$ 1,738,097	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	1,404,172	1,174,475	1,191,308	921,389	845,507	793,834	809,977	766,632	693,726
Municipal Fire	<u>1,251,809</u>	<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>
	\$ 4,394,078	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	\$ 1,738,097	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	1,404,172	1,174,475	1,191,308	921,389	845,507	793,834	809,977	766,632	693,726
Municipal Fire	<u>1,251,809</u>	<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>
	\$ 4,394,078	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>	<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, 2023

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 www.nmpera.org/financial-overview/.

Changes of Assumptions: The Public Employees Retirement Association of New Mexico Annual Actuarial Valuations as of June 30, 2022 report is available at www.nmpera.org/financial-overview/retirement-fund-valuation-reports/.

See independent auditor's report.

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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
	Measurement Date as of:					
	<u>June 30, 2022</u>	<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 (%)	0.60211%	0.61809%	0.62938%	0.64349%	0.63076%	0.62294%
The City's proportionate share of OPEB liability (\$)	\$ 13,918,380	20,337,323	26,427,087	20,864,447	27,427,683	28,229,604
The City's covered payroll	\$ 28,563,549	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	48.73%	71.31%	97.69%	77.70%	101.35%	108.79%
Plan fiduciary net position as a percentage of the total pension liability	33.33%	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.

See independent auditor's report.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 645,050	612,068	618,977	569,594	985,668	1,978,127
Contributions in relation to the contractually required contribution	645,050	612,068	618,977	569,594	973,633	992,799
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,035</u>	<u>985,328</u>
The City's covered payroll	\$ 28,563,549	28,048,021	27,513,771	26,867,642	27,063,494	25,949,484
Contributions as a percentage of covered payroll	2.26%	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, 2023

In the total OPEB liability measured as of June 30, 2022, changes in assumptions include adjustments resulting from an decrease in the discount rate from 3.62% to 5.42%.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEETS
NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2023**

	Special Revenue Funds			
	Airport	Sports	Local	Cannabis
	Fund	Complex	Government	Revenue
	(202)	Fund	Corrections	Fund
		(300)	Fund	(360)
	(202)	(300)	(350)	(360)
Assets				
Cash	\$ 216,253	2,598,253	953,903	394,203
Receivables, net	1,386,008	504,681	-	57,528
Restricted assets:				
Restricted cash	-	-	-	-
Total assets	<u>\$ 1,602,261</u>	<u>3,102,934</u>	<u>953,903</u>	<u>451,731</u>
Liabilities				
Accounts payable	\$ 373,574	57,027	35,435	-
Accrued salaries	-	10,482	-	-
Accrued liabilities	-	-	4,657	-
Advance grant and lease payments	46,229	-	-	-
Total liabilities	<u>419,803</u>	<u>67,509</u>	<u>40,092</u>	<u>-</u>
Fund balances				
Restricted for:				
Public safety	1,182,458	-	913,811	-
Sports complex activities	-	3,035,425	-	-
State mandated per statutes	-	-	-	-
Public works	-	-	-	-
Assigned	-	-	-	451,731
Total fund balances	<u>1,182,458</u>	<u>3,035,425</u>	<u>913,811</u>	<u>451,731</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,602,261</u>	<u>3,102,934</u>	<u>953,903</u>	<u>451,731</u>

See independent auditor's report.

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEETS
NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2023

	Special Revenue Funds			
	Fire Protection Fund (500)	Emergency Medical Services Fund (501)	Law Enforcement Protection Fund (520)	Municipal Transit Fund (570)
<u>Assets</u>				
Cash	\$ 993,932	2,115	-	110,416
Receivables, net	-	-	-	196,227
Restricted assets:				
Restricted cash	-	-	-	-
Total assets	<u>\$ 993,932</u>	<u>2,115</u>	<u>-</u>	<u>306,643</u>
<u>Liabilities</u>				
Accounts payable	\$ -	-	-	10,670
Accrued salaries	-	-	-	17,959
Accrued liabilities	-	-	-	-
Advance grant and lease payments	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,629</u>
<u>Fund balances</u>				
Restricted for:				
Public safety	-	-	-	-
Sports complex activities	-	-	-	-
State mandated per statutes	993,932	2,115	-	-
Public works	-	-	-	278,014
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>993,932</u>	<u>2,115</u>	<u>-</u>	<u>278,014</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 993,932</u>	<u>2,115</u>	<u>-</u>	<u>306,643</u>

See independent auditor's report.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEETS
NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2023**

	Special Revenue Funds			
	Community Development Fund (580)	American Rescue Plan Act (ARPA) Fund (590)	Lodgers' Tax Fund (600,650,680)	Total Special Revenue Funds
<u>Assets</u>				
Cash	\$ -	-	4,615,679	9,884,754
Receivables, net	49,848	-	410,241	2,604,533
Restricted assets:				
Restricted cash	50,510	-	-	50,510
Total assets	<u>\$ 100,358</u>	<u>-</u>	<u>5,025,920</u>	<u>12,539,797</u>
<u>Liabilities</u>				
Accounts payable	\$ -	-	100,596	577,302
Accrued salaries	-	-	-	28,441
Accrued liabilities	-	-	-	4,657
Advance grant and lease payments	-	-	-	46,229
Total liabilities	<u>-</u>	<u>-</u>	<u>100,596</u>	<u>656,629</u>
<u>Fund balances</u>				
Restricted for:				
Public safety	100,358	-	-	2,196,627
Sports complex activities	-	-	-	3,035,425
State mandated per statutes	-	-	4,925,324	5,921,371
Public works	-	-	-	278,014
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>451,731</u>
Total fund balances	<u>100,358</u>	<u>-</u>	<u>4,925,324</u>	<u>11,883,168</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 100,358</u>	<u>-</u>	<u>5,025,920</u>	<u>12,539,797</u>

See independent auditor's report.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEETS
NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2023**

	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	\$ 2,708,793	397,953	1,653,604	4,912	4,765,262
Receivables, net	945,752	867,715	79,124	19,230	1,911,821
Restricted assets:					
Restricted cash	-	-	-	-	-
Total assets	<u>\$ 3,654,545</u>	<u>1,265,668</u>	<u>1,732,728</u>	<u>24,142</u>	<u>6,677,083</u>
<u>Liabilities</u>					
Accounts payable	\$ -	414	1,435	1,600	3,449
Accrued salaries	-	-	-	-	-
Accrued interest payable	-	-	-	-	-
Advance grant and lease payments	-	-	-	-	-
Total liabilities	-	414	1,435	1,600	3,449
<u>Fund balances</u>					
Restricted for:					
Public safety	-	-	-	-	-
Sports complex activities	-	-	-	-	-
State mandated per statutes	-	-	-	-	-
Construction and improvements	-	-	-	-	-
Assigned	<u>3,654,545</u>	<u>1,265,254</u>	<u>1,731,293</u>	<u>22,542</u>	<u>6,673,634</u>
Total fund balances	<u>3,654,545</u>	<u>1,265,254</u>	<u>1,731,293</u>	<u>22,542</u>	<u>6,673,634</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,654,545</u>	<u>1,265,668</u>	<u>1,732,728</u>	<u>24,142</u>	<u>6,677,083</u>

See independent auditor's report.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEETS
NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2023**

	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	\$ -	-	-	14,650,016
Receivables, net	-	-	-	4,516,354
Restricted assets:				
Restricted cash	-	-	-	50,510
Total assets	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>19,216,880</u>
<u>Liabilities</u>				
Accounts payable	\$ -	-	-	580,751
Accrued salaries	-	-	-	28,441
Accrued interest payable	-	-	-	4,657
Advance grant and lease payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,229</u>
Total liabilities	-	-	-	660,078
<u>Fund balances</u>				
Restricted for:				
Public safety	-	-	-	2,196,627
Sports complex activities	-	-	-	3,035,425
State mandated per statutes	-	-	-	5,921,371
Construction and improvements	-	-	-	278,014
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,125,365</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,556,802</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>19,216,880</u>

See independent auditor's report.

**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, 2023**

	Special Revenue Funds			
	Airport	Sports	Local	
	Fund	Complex	Government	Cannabis
	(202)	Fund	Corrections	Revenue
	(202)	(300)	Fund	Fund
	(202)	(300)	(350)	(360)
<u>Revenues</u>				
Gross receipts taxes	\$ -	2,769,866	-	-
Lodgers' taxes	-	-	-	-
Cannabis excise taxes	-	-	-	368,100
Intergovernmental:				
Federal	1,123,771	-	-	-
State and local	263,221	-	-	-
Charges for services	33,296	14,528	9	-
Fines and forfeitures	-	-	727,137	-
Total revenues	1,420,288	2,784,394	727,146	368,100
<u>Expenditures</u>				
Current:				
General government	-	-	-	11,044
Public safety	7,226	-	374,870	-
Public works	-	-	-	-
Culture and recreation	-	1,048,932	-	-
Economic development	-	-	-	-
Capital outlay	1,414,351	4,086	-	-
Debt service:				
Principal	-	70,941	-	-
Interest and other charges	-	471	-	-
Total expenditures	1,421,577	1,124,430	374,870	11,044
Excess (deficiency) of revenues over (under) expenditures	(1,289)	1,659,964	352,276	357,056
<u>Other financing sources (uses)</u>				
Transfers in	300,000	20,296	-	-
Transfers (out)	-	(49,555)	-	-
Total other financing sources (uses)	300,000	(29,259)	-	-
<u>Special item</u>				
Proceeds from sale of assets	-	-	-	-
Net change in fund balance	298,711	1,630,705	352,276	357,056
Fund balance, beginning of year	41,235	1,404,720	561,535	64,303
Restatements (Note 21)	842,512	-	-	30,372
Fund balance, beginning of year, restated	883,747	1,404,720	561,535	94,675
Fund balance, end of year	\$ 1,182,458	3,035,425	913,811	451,731

See independent auditor's report.

**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, 2023**

	Special Revenue Funds			
	Fire Protection Fund (500)	Emergency Medical Services Fund (501)	Law Enforcement Protection Fund (520)	Municipal Transit Fund (570)
<u>Revenues</u>				
Gross receipts taxes	\$ -	-	-	-
Lodgers' taxes	-	-	-	-
Cannabis excise taxes	-	-	-	-
Intergovernmental:				
Federal	-	-	-	674,473
State and local	667,066	20,000	746,397	-
Charges for services	-	-	-	50,886
Fines and forfeitures	-	-	-	-
Total revenues	667,066	20,000	746,397	725,359
<u>Expenditures</u>				
Current:				
General government	-	-	-	-
Public safety	38,956	-	112,000	-
Public works	-	-	-	1,214,140
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Capital outlay	772,706	17,885	-	152,362
Debt service:				
Principal	-	-	-	1,380
Interest and other charges	-	-	-	26
Total expenditures	811,662	17,885	112,000	1,367,908
Excess (deficiency) of revenues over (under) expenditures	(144,596)	2,115	634,397	(642,549)
<u>Other financing sources (uses)</u>				
Transfers in	-	-	-	638,511
Transfers (out)	-	(13,411)	(634,397)	(73,733)
Total other financing sources (uses)	-	(13,411)	(634,397)	564,778
<u>Special item</u>				
Proceeds from sale of assets	-	-	-	7,440
Net change in fund balance	(144,596)	(11,296)	-	(70,331)
Fund balance, beginning of year	1,138,528	13,411	-	348,345
Restatements (Note 21)	-	-	-	-
Fund balance, beginning of year, restated	1,138,528	13,411	-	348,345
Fund balance, end of year	\$ 993,932	2,115	-	278,014

See independent auditor's report.

**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, 2023**

	Special Revenue Funds			
	Community Development Fund (580)	American Rescue Plan Act (ARPA) Fund (590)	Lodgers' Tax Fund (600,650,680)	Total Special Revenue Funds
<u>Revenues</u>				
Gross receipts taxes	\$ -	-	-	2,769,866
Lodgers' taxes	-	-	4,493,467	4,493,467
Cannabis excise taxes	-	-	-	368,100
Intergovernmental:				
Federal	54,848	3,681,801	-	5,534,893
State and local	-	-	-	1,696,684
Charges for services	-	-	-	98,719
Fines and forfeitures	-	-	-	727,137
Total revenues	54,848	3,681,801	4,493,467	15,688,866
<u>Expenditures</u>				
Current:				
General government	-	892,622	-	903,666
Public safety	-	2,300,550	-	2,833,602
Public works	-	-	-	1,214,140
Culture and recreation	-	426,686	2,057,120	3,532,738
Economic development	-	61,943	-	61,943
Capital outlay	98,452	-	2,811,259	5,271,101
Debt service:				
Principal	-	-	-	72,321
Interest and other charges	-	-	-	497
Total expenditures	98,452	3,681,801	4,868,379	13,890,008
Excess (deficiency) of revenues over (under) expenditures	(43,604)	-	(374,912)	1,798,858
<u>Other financing sources (uses)</u>				
Transfers in	-	-	-	958,807
Transfers (out)	-	-	(475,000)	(1,246,096)
Total other financing sources (uses)	-	-	(475,000)	(287,289)
<u>Special item</u>				
Proceeds from sale of assets	-	-	-	7,440
Net change in fund balance	(43,604)	-	(849,912)	1,519,009
Fund balance, beginning of year	143,962	-	5,775,236	9,491,275
Restatements (Note 21)	-	-	-	872,884
Fund balance, beginning of year, restated	143,962	-	5,775,236	10,364,159
Fund balance, end of year	\$ 100,358	-	4,925,324	11,883,168

See independent auditor's report.

**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, 2023**

	Capital Project Funds				
	GRT Capital Outlay (200)	CIEP Fund (201)	Street System Improvement Fund (320)	Beautification Fund (550)	Total Capital Project Funds
<u>Revenues</u>					
Gross receipts taxes	\$ 5,212,582	-	-	-	5,212,582
Lodgers' taxes	-	-	-	-	-
Cannabis excise taxes	-	-	-	-	-
Public service taxes	-	-	755,102	-	755,102
Intergovernmental:					
Federal	-	399,894	-	-	399,894
State and local	-	1,019,214	702,388	19,230	1,740,832
Charges for services	-	-	-	-	-
Licenses and permits	-	-	116,563	-	116,563
Fines and forfeitures	-	-	-	-	-
Interest	-	4,457	12,915	-	17,372
Total revenues	5,212,582	1,423,565	1,586,968	19,230	8,242,345
<u>Expenditures</u>					
Current:					
General government	207,587	58,250	-	-	265,837
Public safety	-	-	-	-	-
Public works	-	-	35,271	-	35,271
Culture and recreation	-	-	-	70,644	70,644
Economic development	-	-	-	-	-
Capital outlay	64,536	1,457,952	6,064,865	-	7,587,353
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Total expenditures	272,123	1,516,202	6,100,136	70,644	7,959,105
Excess (deficiency) of revenues over (under) expenditures	4,940,459	(92,637)	(4,513,168)	(51,414)	283,240
<u>Other financing sources (uses)</u>					
Transfers in	-	-	77,646	50,000	127,646
Transfers (out)	(3,458,098)	-	-	-	(3,458,098)
Total other financing sources (uses)	(3,458,098)	-	77,646	50,000	(3,330,452)
<u>Special item</u>					
Proceeds from sale of assets	-	-	-	-	-
Net change in fund balance	1,482,361	(92,637)	(4,435,522)	(1,414)	(3,047,212)
Fund balance, beginning of year	2,172,184	1,357,891	6,166,815	23,956	9,720,846
Restatements (Note 21)	-	-	-	-	-
Fund balance, beginning of year, restated	2,172,184	1,357,891	6,166,815	23,956	9,720,846
Fund balance, end of year	\$ 3,654,545	1,265,254	1,731,293	22,542	6,673,634

See independent auditor's report.

**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, 2023**

	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	\$ -	-	-	7,982,448
Lodgers' taxes	-	-	-	4,493,467
Cannabis excise taxes	-	-	-	368,100
Public service taxes	-	-	-	755,102
Intergovernmental:				
Federal	-	-	-	5,934,787
State and local	-	-	-	3,437,516
Charges for services	-	-	-	98,719
Licenses and permits	-	-	-	116,563
Fines and forfeitures	-	-	-	727,137
Interest	-	-	-	17,372
Total revenues	-	-	-	23,931,211
<u>Expenditures</u>				
Current:				
General government	-	-	-	1,169,503
Public safety	-	-	-	2,833,602
Public works	-	-	-	1,249,411
Culture and recreation	-	-	-	3,603,382
Economic development	-	-	-	61,943
Capital outlay	-	-	-	12,858,454
Debt service:				
Principal	-	-	-	72,321
Interest and other charges	-	-	-	497
Total expenditures	-	-	-	21,849,113
Excess (deficiency) of revenues over (under) expenditures	-	-	-	2,082,098
<u>Other financing sources (uses)</u>				
Transfers in	-	-	-	1,086,453
Transfers (out)	-	-	-	(4,704,194)
Total other financing sources (uses)	-	-	-	(3,617,741)
<u>Special item</u>				
Proceeds from sale of assets	-	-	-	7,440
Net change in fund balance	-	-	-	(1,528,203)
Fund balance, beginning of year	-	-	-	19,212,121
Restatements (Note 21)	-	-	-	872,884
Fund balance, beginning of year, restated	-	-	-	20,085,005
Fund balance, end of year	\$ -	-	-	18,556,802

See independent auditor's report.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
AS OF JUNE 30, 2023**

	Museum Gift Shop Fund (750)	Golf Pro Shop Fund (790)	Total
<u>Assets</u>			
Current assets			
Cash	\$ 21,881	819,635	841,516
Receivables, net	20	25,246	25,266
Inventory	-	67,413	67,413
Total current assets	<u>21,901</u>	<u>912,294</u>	<u>934,195</u>
Deferred Outflows of Resources			
Pensions related	-	-	-
OPEB related	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflow of resources	<u>\$ 21,901</u>	<u>912,294</u>	<u>934,195</u>
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ -	799	799
Accrued liabilities	39	5,201	5,240
Due to other funds	-	32,977	32,977
Total current liabilities	<u>39</u>	<u>38,977</u>	<u>39,016</u>
Total liabilities	39	38,977	39,016
<u>Net Position</u>			
Unrestricted	<u>21,862</u>	<u>873,317</u>	<u>895,179</u>
Total net position	<u>21,862</u>	<u>873,317</u>	<u>895,179</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 21,901</u>	<u>912,294</u>	<u>934,195</u>

See independent auditor's report.

**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, 2023**

	Museum Gift Shop Fund (750)	Golf Pro Shop Fund (790)	Total
<u>Operating Revenues</u>			
Charges for services	\$ 2,322	1,432,992	1,435,314
<u>Operating Expenses</u>			
Utilities	-	9,441	9,441
Contractual services	192	97,443	97,635
Other operating expenses	2,814	501,969	504,783
Total operating expenses	3,006	608,853	611,859
Operating income (loss)	(684)	824,139	823,455
<u>Non-operating revenues (expenses)</u>			
Miscellaneous	7,390	1,400	8,790
Total non-operating revenues (expenses)	7,390	1,400	8,790
Income (loss) before capital contributions and transfers	6,706	825,539	832,245
<u>Capital contributions and transfers</u>			
Transfers in	-	50,000	50,000
Transfers (out)	-	-	-
Total capital contributions and transfers	-	50,000	50,000
Change in net position	6,706	875,539	882,245
Net position, beginning of year	15,156	(2,222)	12,934
Restatement	-	-	-
Net position, beginning of year restated	15,156	(2,222)	12,934
Net position, end of year	\$ 21,862	873,317	895,179

See independent auditor's report.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Museum Gift Shop Fund (750)	Golf Pro Shop Fund (790)	Total
<u>Cash flows from operating activities</u>			
Cash received from customers	\$ 2,332	1,407,746	1,410,078
Cash payments to suppliers for goods and services	(3,004)	(639,511)	(642,515)
Net cash (used) by operating activities	(672)	768,235	767,563
<u>Cash flows for non-capital and financing activities</u>			
Miscellaneous revenues	7,390	1,400	8,790
Net transfers in (out)	-	50,000	50,000
Net cash provided by non-capital and financing activities	7,390	51,400	58,790
Net increase (decrease) in cash	6,718	819,635	826,353
Cash and cash equivalents, beginning of year	15,163	-	15,163
Cash and cash equivalents, end of year	\$ 21,881	819,635	841,516
<u>Reconciliation of operating income (loss) to net cash provided by operating activities</u>			
Operating (loss)	\$ (684)	824,139	823,455
Adjustment to reconcile operating income to net cash provided by operating activities:			
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	10	(25,246)	(25,236)
(Increase) decrease in inventory		(34,436)	(34,436)
Increase (decrease) in accounts payable	-	(1,423)	(1,423)
Increase (decrease) in accrued liabilities	2	5,201	5,203
Total adjustments	12	(55,904)	(55,892)
Net cash (used) by operating activities	\$ (672)	768,235	767,563

See independent auditor's report.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AS OF JUNE 30, 2023**

	General Insurance Fund (401, 402)	Group Health Insurance Fund (420)	Disaster Preparedness Fund (400)	Total
<u>Assets</u>				
Current assets				
Cash	\$ 1,717,156	2,346,496	247,558	4,311,210
Receivables, net	46,638	151,555	-	198,193
Total current assets	1,763,794	2,498,051	247,558	4,509,403
Noncurrent assets				
Restricted cash	-	-	1,011,535	1,011,535
Total assets	<u>\$ 1,763,794</u>	<u>2,498,051</u>	<u>1,259,093</u>	<u>5,520,938</u>
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 46,018	-	-	46,018
<u>Net position</u>				
Unrestricted	1,717,776	2,498,051	1,259,093	5,474,920
Total liabilities and net position	<u>\$ 1,763,794</u>	<u>2,498,051</u>	<u>1,259,093</u>	<u>5,520,938</u>

See independent auditor's report.

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, 2023

	General Insurance Fund (401, 402)	Group Health Insurance Fund (420)	Disaster Preparedness Fund (400)	Total
<u>Operating revenues</u>				
Charges for services	\$ -	6,420,236	-	6,420,236
<u>Operating expenses</u>				
Insurance claims and expenses	2,106,884	4,884,835	-	6,991,719
Total operating expenses	2,106,884	4,884,835	-	6,991,719
Operating (loss)	(2,106,884)	1,535,401	-	(571,483)
<u>Non-operating revenues (expenses)</u>				
Miscellaneous revenue	98,878	-	-	98,878
Investment income	1,905	15,202	7,798	24,905
Income (loss) before transfers	(2,006,101)	1,550,603	7,798	(447,700)
<u>Transfers and extraordinary items</u>				
Transfers in	2,250,000	-	-	2,250,000
Transfers (out)	-	(1,534,945)	-	(1,534,945)
Extraordinary expense-brine well remediation	-	-	(1,500,000)	(1,500,000)
Total transfers and extraordinary items	2,250,000	(1,534,945)	(1,500,000)	(784,945)
Change in net position	243,899	15,658	(1,492,202)	(1,232,645)
Net position, beginning of year	1,473,877	2,482,393	2,751,295	6,707,565
Restatement	-	-	-	-
Net position, beginning of year, restated	1,473,877	2,482,393	2,751,295	6,707,565
Net position, end of year	\$ 1,717,776	2,498,051	1,259,093	5,474,920

See independent auditor's report.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	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	\$ -	6,268,681	-	6,268,681
Cash payments to suppliers for goods and services	(2,097,754)	(4,884,835)	-	(6,982,589)
Net cash provided (used) by operating activities	(2,097,754)	1,383,846	-	(713,908)
<u>Cash flows from non-capital activities</u>				
Miscellaneous revenue	98,878	-	-	98,878
Net transfers in (out) and extraordinary items	2,250,000	(1,534,945)	(1,500,000)	(784,945)
<u>Cash flows from investing activities</u>				
Investment income	1,905	15,202	7,798	24,905
Net increase (decrease) in cash	253,029	(135,897)	(1,492,202)	(1,375,070)
Cash and cash equivalents, beginning of year	1,464,127	2,482,393	2,751,295	6,697,815
Cash and cash equivalents, end of year	<u>\$ 1,717,156</u>	<u>2,346,496</u>	<u>1,259,093</u>	<u>5,322,745</u>
Displayed as				
Cash	\$ 1,717,156	2,346,496	247,558	4,311,210
Restricted cash	-	-	1,011,535	1,011,535
Total cash	<u>\$ 1,717,156</u>	<u>2,346,496</u>	<u>1,259,093</u>	<u>5,322,745</u>
<u>Reconciliation of operating income (loss) to net cash provided by operating activities</u>				
Operating (loss)	(2,106,884)	1,535,401	-	(571,483)
Adjustment to reconcile operating income to net cash provided by operating activities				
None				
Change in assets and liabilities				
(Increase) decrease in accounts receivable	(33,954)	(151,555)	-	(185,509)
Increase (decrease) in accounts payable	43,084	-	-	43,084
Total adjustments	9,130	(151,555)	-	(142,425)
Net cash (used) by operating activities	<u>\$ (2,097,754)</u>	<u>1,383,846</u>	<u>-</u>	<u>(713,908)</u>

See independent auditor's report.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
AS OF JUNE 30, 2023**

	Municipal Court Bond Trust Fund (920)	Eddy-Lea Energy Alliance Fund (980)	Total Custodial Funds
Assets			
Cash	\$ 18,489	97,252	115,741
Receivables	-	5,229	5,229
Total assets	<u>\$ 18,489</u>	<u>102,481</u>	<u>120,970</u>
Liabilities			
Accounts payable	\$ -	51	51
Total liabilities	-	51	51
Net position			
Restricted for:			
Individuals, other governments	18,489	102,430	120,919
Total net position	<u>\$ 18,489</u>	<u>102,430</u>	<u>120,919</u>

See independent auditor's report.

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Municipal Court Bond Trust Fund (920)	Eddy-Lea Energy Alliance Fund (980)	Total Custodial Funds
Additions			
Fees	\$ 8,071	100,747	108,818
Total additions	8,071	100,747	108,818
Deductions			
Insurance	-	2,121	2,121
Professional contracts	-	68,054	68,054
Fee payments	12,647	554	13,201
Total deductions	12,647	70,729	83,376
Net increase (decrease) in fiduciary net position	(4,576)	30,018	25,442
Net position, beginning	23,065	67,930	90,995
Restatement	-	4,482	4,482
Net position, beginning-restated	23,065	72,412	95,477
Net position, ending	\$ 18,489	102,430	120,919

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF GOVERNMENTAL FUND BALANCES
As of June 30, 2023

	General Fund (101, 102)	Total Non-Major Governmental Funds	Total Funds
Fund Balances:			
Nonspendable:			
Leases	\$ 13,797	-	13,797
Subtotal nonspendable funds	13,797	-	13,797
Restricted for:			
Public safety	-	2,196,627	2,196,627
Sports complex activities	-	3,035,425	3,035,425
State mandated per statutes	-	5,921,371	5,921,371
State mandated budget reserve	5,431,568	-	5,431,568
Construction and improvements	-	278,014	278,014
Subtotal restricted funds	5,431,568	11,431,437	16,863,005
Committed to:			
City budget reserve	5,431,568	-	5,431,568
Subsequent years' expenditures	22,754,331	-	22,754,331
Subtotal committed funds	28,185,899	-	28,185,899
Assigned to:			
Cannabis revenue	-	451,731	451,731
GRT capital outlay	-	3,654,545	3,654,545
CIEP	-	1,265,254	1,265,254
Street system improvement	-	1,731,293	1,731,293
Beautification	-	22,542	22,542
Subtotal assigned funds	-	7,125,365	7,125,365
Unassigned	22,365,519	-	22,365,519
	\$ 55,996,782	18,556,802	74,553,584

See independent auditor's report.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF CASH ACCOUNTS
AS OF JUNE 30, 2023**

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*	\$ 2,345,361	1,135	2,346,496
Payroll Account	Checking	850,154	(825,772)	24,382
Debt Service Account	Checking	9,071,043	-	9,071,043
Municipal Court	Checking	18,489	-	18,489
Worker's Compensation	Checking	17,254	(7,254)	10,000
CDBG Cash	Checking	50,510	-	50,510
General Operating	Certificate of Deposit	580,113	-	580,113
General Operating	Certificate of Deposit	319,540	-	319,540
General Operating	Certificate of Deposit	216,260	-	216,260
General Operating	Certificate of Deposit	4,073,429	-	4,073,429
General Operating	Certificate of Deposit	9,269,091	-	9,269,091
General Operating	Certificate of Deposit	938,556	-	938,556
Sandpoint Closure Reserve	Certificate of Deposit	694,278	-	694,278
Sandpoint Closure Reserve	Certificate of Deposit	1,331,442	-	1,331,442
Sandpoint Closure Reserve	Certificate of Deposit	978,589	-	978,589
Sandpoint Closure Reserve	Certificate of Deposit	967,886	-	967,886
Worker's Compensation	Certificate of Deposit	4,036,967	-	4,036,967
Worker's Compensation	Certificate of Deposit	1,015,780	-	1,015,780
Worker's Compensation	Certificate of Deposit	4,021,047	-	4,021,047
Water & Sewer	Certificate of Deposit	366,739	-	366,739
Water & Sewer	Certificate of Deposit	316,425	-	316,425
Disaster Preparedness	Certificate of Deposit	1,011,535	-	1,011,535
		\$ 42,490,488	(831,891)	41,658,597

*Interest bearing account

See independent auditor's report.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF CASH ACCOUNTS
AS OF JUNE 30, 2023**

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*	\$ 69,944,980	(1,108,421)	68,836,559
		69,944,980	(1,108,421)	68,836,559
Western Commerce Bank P.O. Drawer 1358 Carlsbad, New Mexico 88221-1358				
Construction Account	Checking*	6,227,015	(186,806)	6,040,209
General Operating	Certificate of Deposit	1,070,169	-	1,070,169
		7,297,184	(186,806)	7,110,378
New Mexico Finance Authority 207 Shelby Street Santa Fe, New Mexico 87501				
Carlsbad 11	Reserve	240,864	-	240,864
		240,864	-	240,864
Totals		\$ 119,973,516	(2,127,118)	117,846,398

*Interest bearing account

See independent auditor's report.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF PLEDGED COLLATERAL
ALL FINANCIAL INSTITUTIONS
AS OF JUNE 30, 2023**

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	\$ 354,498
FHLMC Pool C91366	3128P7QT3	04/01/31	229,330
FNMA Pool MA2046	31418BHY5	10/01/34	230,237
FHLMC Pool C91758	3128P755T6	04/01/34	342,837
FNR 2012-55 PD	3136A53R5	05/25/42	222,402
GNMAII Pool 4668	36202FFH4	04/20/25	92,735
FNMA Pool MA7076	3138EP2J2	08/01/32	257,382
FHLMC Pool C91864	3128P8B91	02/01/36	475,449
FHLMC Pool G07957	3128MAE62	01/01/45	440,098
GNMAII Pool MA5976	36179UT93	06/20/49	52,008
FNMA Pool MA1119	31418GA51	07/01/42	255,066
FHLMC Pool G07786	3128M96X5	08/01/44	411,171
FHLMC Pool G15290	3128MEC33	02/01/30	190,485
FNMA Pool BC0851	3140EU5M7	04/01/31	672,227
FNMA Pool MA2937	31418CHP2	03/01/37	505,487
GNMA II Pool BO1539	3617KGV80	07/20/49	846,325
FNMA Pool BQ4067	3140KPQV8	12/01/50	1,275,984
FNMA Pool FM8556	3140XCQJ0	08/01/36	1,425,971
FHLMC ONE TIME CALL	3134GXR55	08/25/25	1,938,052
FHLB CALLABLE	3130ASG52	06/30/27	1,919,244
FHBL CALLABLE	3130ASWR6	08/25/27	1,932,446
FFCB BULLET	3133ENJ68	09/01/23	2,989,434
FHLB CALLABLE	3130ATCN5	09/27/24	2,943,072
FHLB CALLABLE	3130ATCL9	12/19/24	2,937,621
			<u>\$ 22,939,561</u>

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

See independent auditor's report.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF PLEDGED COLLATERAL
ALL FINANCIAL INSTITUTIONS
AS OF JUNE 30, 2023**

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	\$ 9,625,643
FN FS0535	3140XFSZ5	07/01/43	25,453,137
			<u>\$ 35,078,780</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	\$ 396,293
FHLMC #J22899	31307BGG9	03/01/28	137,470
FNMA #MA3697	31418DDB5	07/01/39	288,987
FNMA #MA3741	31418DEP3	08/01/39	302,608
FNMA #MA3771	31418DFM9	09/01/39	364,620
SBAP Series 2021-25H 1	83162CL68	08/01/46	734,347
SBAP Series 2013-20B Class 1	83162CVH3	02/01/33	427,798
SBAP Series 2013-20J Class 1	83162CVV2	10/01/33	343,567
SBAP Series 2016-20H Class 1	83162CXY4	08/01/36	323,536
SBAP Series 2017-20I Class 1	83162CYW7	09/01/37	795,544
Treasury 1 1/4 04/10/28	91282CBZ3	04/30/28	2,191,113
			<u>\$ 6,305,883</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.

Total pledged collateral \$ 64,324,224

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF JOINT POWERS AGREEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

#	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	City of Carlsbad
2	DOE, WIPP Eddy County	DOE, WIPP, Eddy County, City of Carlsbad	City	Emergency Operations Center	6/15/1988	City	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	ELEA	ELEA

See independent auditor's report.

FEDERAL COMPLIANCE SECTION

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass Through Grantor/ Program Title	Assistance Listing Number	Contract/Grant Project/State Number	Federal Expenditures
U.S. Department of Commerce			
<i>Passed through New Mexico Environment Department</i>			
<u>Economic Development Cluster</u>			
Economic Adjustment Assistance	11.307	08-79-05598	\$ 102,384
Total Economic Development Cluster			102,384
Total Department of Housing and Urban Development			102,384
U.S. Department of Housing and Urban Development			
<i>Passed through New Mexico Department of Finance and Administration</i>			
Community Development Block Grants	14.228	18-C-NR-I-01-G-12	54,848
Total Department of Housing and Urban Development			54,848
U.S. Department of Justice			
<i>Direct</i>			
STOP School Violence	16.839	2019-YS-BX-0118	69,793
Congressionally Recommended Awards	16.753	15PBJA-22-GG-00169-BRND	399,894
Total Department of Justice			469,687
U.S. Department of Transportation			
<i>Direct</i>			
Airport Improvement Program	* 20.106	3-35-0007-033-2022	1,123,771
<i>Total Direct Awards from U.S. Department of Transportation</i>			1,123,771
<i>Passed through New Mexico Department of Transportation</i>			
<u>Federal Transit Cluster</u>			
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	M01465	103,517
Total Federal Transit Cluster			103,517
Formula Grants for Rural Areas	20.509	M01465	570,956
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	02-AL-64-013 & 03-AL-64-013	23,971
<i>Total Passed through New Mexico Department of Transportation</i>			698,444
Total U.S. Department of Transportation			1,822,215
U.S. Department of the Treasury			
<i>Passed through New Mexico Department of Finance and Administration</i>			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	* 21.027	N/A	3,681,801
Total Department of the Treasury			3,681,801
National Endowment for the Humanities			
<i>Passed through New Mexico State Library</i>			
Grants to States (ARPA Library Grant)	45.310	N/A	11,540
Total National Endowment for the Humanities			11,540
Total Expenditures of Federal Awards			\$ 6,142,475
* Denotes Major Federal Program			
<u>Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance</u>			
Federal expenditures per SEFA			\$ 6,142,475
Total federal grant revenue - governmental funds			6,040,091
Total federal grant revenue - pro funds			102,384
Net difference			\$ -

See independent auditor's report.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023.

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.

Note 5 - Loan and Loan Guarantees

The following is the outstanding principal balance of the Clean Water State Revolving Funds (CWSRF) program at June 30, 2023. Because there are no continuing compliance requirements, the outstanding balance is not included in the schedule of expenditures of federal awards.

<u>Federal Grantor/Program Title</u>	<u>AL Number</u>	<u>Loan Number</u>	<u>June 30, 2023</u>
Clean Water State Revolving Loan Funds	66.458	Loan #CWSRF 010	\$ <u><u>15,041,272</u></u>

**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
Joseph M. Maestas, PE
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, 2023, 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 12, 2023.

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) as a basis for designing 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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be significant deficiency.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 12, 2023

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 12, 2023

**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
Joseph M. Maestas, PE
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 identified as subject to audit 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, 2023. 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, 2023.

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.

December 12, 2023

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

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.

Hinkle + Landers, P.C.

Albuquerque, NM

December 12, 2023

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

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 federal 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 federal programs:

<u>AL Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Funding Source</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds	U.S. Department of the Treasury
20.106	Airport Improvement Program	U.S. Department of Transportation

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, 2023

SECTION II AND SECTION III-SUMMARY OF FINANCIAL STATEMENTS AND FEDERAL AWARD 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>			
2022-001	24 Hour Deposit Requirement	Resolved	G
<u>Current Year Findings</u>			
2023-001	Timely Grant Invoicing and Unbilled Receivables	Current	B

* 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, 2023

CURRENT YEAR FINDINGS

2023-001 — TIMELY GRANT INVOICING AND UNBILLED RECEIVABLES

Type of Finding: (B) Significant Deficiency in Internal Control Over Financial Reporting

Statement of Condition

Cost reimbursement revenue from grant projects in the Airport Fund (202) and the Water and Sewer Fund (700) has not been appropriately recognized in the period corresponding to the expenditures. During our audit, the following issues were identified:

- The Airport Fund received 4 reimbursements totaling \$842,512 during FY23, resulting from expenditures during 2018-2022. These reimbursements were not accrued as receivables due to the revenue being received more than three months after June 30, 2022.
- The Water and Sewer Fund received a \$33,978 reimbursement for expenses incurred in FY22, which was not accrued as a receivable because the revenue was received more than three months after June 30, 2022.

Criteria

Grant billings should be tracked to ensure compliance with applicable grant agreements, prevent discrepancies arising from double billing or underbilling, and uphold the principles of transparency, accountability, and fiduciary responsibility. The tracking process should include adequate internal controls and documentation to support the accuracy and reliability of reported grant billings in financial statements.

Cause

The delayed submission of these expenses for reimbursement to the respective granting agencies resulted in the failure to accrue these amounts. Accruals were based on cash receipts rather than actual expenditures.

Effect

Revenue attributable to these grants was understated in prior fiscal years.

Recommendation

It is recommended that expenditures for major projects undergo quarterly reviews, and requests for reimbursement be submitted to all granting agencies promptly. Furthermore, it is advised that the

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

City designate an employee to conduct this review, taking responsibility for timely submission of requests or overseeing those responsible for such submissions to ensure adherence to deadlines. This proactive approach will enhance financial reporting accuracy and compliance with grant agreements.

View of Responsible Officials

In the past, the City's grant management process had been decentralized. The City agrees with the audit finding recommendation, and has already taken steps to centralize grant management. During November 2023, the City reclassified a current position, that assisted with grant management on a part-time basis, to a fulltime position focused only on grant management. This position is titled Director of Grant Programs. The employee assigned to this position has extensive experience in grant management.

Corrective Action Plan Timeline:

The corrective action has taken place. The Director of Grant Programs started in their position on November 9, 2023.

Designation Of Employee Position Responsible For Meeting Deadline:

City Administrator for the City of Carlsbad

**STATE OF NEW MEXICO
CITY OF CARLSBAD
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2023**

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 12, 2023. The following individuals were in attendance:

City of Carlsbad Officials

Dale Janway	Mayor
Jeff Forest	City Councilor
John Lowe	City Administrator
Wendy Austin	Deputy City Administrator

Hinkle + Landers, P.C. Officials

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