

**STATE OF NEW MEXICO
CITY OF CARLSBAD**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2009

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CITY OF CARLSBAD
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**STATE OF NEW MEXICO
CITY OF CARLSBAD
DIRECTORY OF OFFICIALS
JUNE 30, 2009**

ELECTED OFFICIALS

Bob Forrest	Mayor
Ned Z. Elkins	Mayor Pro-Tem
Paul C. Aguilar	City Councilor
Wesley A. Carter	City Councilor
Brad A. Day	City Councilor
Jeff Diamond	City Councilor
Sandra Nunley	City Councilor
Nathan A. McDonald	City Councilor
Nick G. Salcido	City Councilor

DEPARTMENT HEADS

Harry Burgess	City Administrator
Monica D. Harris	Director of Finance/City Treasurer
Amanda Asbury.....	City Clerk
Joey Gonzalez	Chief of Police
Michael H. Reynolds	Fire Chief
John Beasley.....	Community Development Director
Scot Bendixsen	Human Resources Director
Luis R. Camero	Director of Public Works/Utilities
David L. Redford	Municipal Judge
Eileen P. Riordan	City Attorney

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.comIndependent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlsbad, New Mexico (City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise, and internal service funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise and internal service funds of the City, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Additionally, in our opinion, the general fund, state legislative fund, National Cave-Karst Institute fund, the major enterprise funds and all non-major funds referred to previously present fairly, in all material respects, the budgetary comparison for each fund of the City of Carlsbad for the year ended June 30, 2009, in conformity with the budgetary basis of accounting more fully described in Note 1D, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2010, on our consideration of the City of Carlsbad's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control or on financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages four through sixteen is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements and the funds budgetary comparison statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements and other opinion units listed above. The additional schedules listed as supplemental financial information and supplemental federal financial information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements and other opinion units listed above. Such information have been subjected to the auditing procedures applied in the audit of the opinion basic financial statements and other units listed above and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements and other opinion units listed above taken as a whole.



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

February 17, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

The following is an overview of the financial condition for the City of Carlsbad, New Mexico (City), for the fiscal year ended June 30, 2009. This narrative highlights the major aspects of the City's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

Financial Highlights

- The City assets exceeded liabilities by \$109,193,970 at June 30, 2009. Approximately 22% of the City's net assets may be used to meet the City's ongoing obligations to citizens and creditors. As a result of operations, the City increased its net assets during the current year by \$15,637,145.
- Unrestricted cash at June 30, 2009, totaled \$25,481,119. Current liabilities, including the current portion of long-term liabilities at June 30, 2009, amounted to \$6,885,247.
- During the fiscal year, the City governmental activities expended \$16,455,901 for capital assets. The business-type activities expended \$709,705 for capital assets.
- Investment in capital assets for the City total \$93,765,540 net of accumulated depreciation at June 30, 2009. These capital assets included land, construction in process, buildings, improvements, infrastructure, utility system, airport infrastructure and equipment.
- Long-term debt for the City at the end of the year was \$31,324,442. During the year, the City remitted payments to reduce its debt by \$1,838,417.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Government-Wide Financial Statements (continued)

The governmental activities of the City include general government, public safety, public works, culture and recreation, health and welfare, and economic development. The business-type activities of the City include water, solid waste, wastewater, museum, municipal transit, performing arts centre, and cemetery. The government-wide financial statements can be found on pages seventeen and eighteen of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: governmental, proprietary, and fiduciary funds. Currently, the City does not have any fiduciary funds.

Governmental Funds

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

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

In addition to the general fund, the City maintains twenty-seven other individual governmental funds of which fourteen are classified as special revenue funds; eleven are classified as capital projects funds, and two are classified as debt service funds. Information for the general fund, state legislative and National Cave-Karst Institute capital project funds, which are considered major funds, are presented separately in the government fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements following the notes to the financial statements.

The City adopts an annual appropriated budget for all of its funds. The budgetary comparison statement for the general fund is located on page twenty-three. Budgetary comparison statements for the non-major special revenue, major and non-major capital projects, and non-major debt service funds are located on pages sixty-eight through one hundred two. The basic governmental fund financial statements can be found on page nineteen through twenty-two of this report.

STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Proprietary Funds

The City maintains two types of proprietary funds; enterprise and internal service funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund statements can be found on pages twenty-four through twenty-six of this report.

Enterprise Funds

The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, solid waste, and wastewater services provided to the citizens. Additionally, the City uses enterprise funds to account for a museum, municipal transit system, performing arts centre, and a cemetery.

The enterprise fund financial statements provide separate information for the solid waste fund and the joint water and sewer fund; both of which are considered major funds of the City. Data from the non-major enterprise funds are combined into a single aggregated presentation. Individual fund data for the non-major enterprise funds is provided in the form of combining statements located on pages one hundred three through one hundred five.

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, or funds 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 funds are consolidated in the governmental column when presented in the government-wide financial statements. The City uses internal service funds to account for the City's computer lease equipment, the City's general insurance, the City's group health insurance, and the City's disaster preparedness.

Data from the internal service funds are combined into a single aggregated presentation. Individual fund data for the internal service funds is provided in the form of combining statements located on pages one hundred eighteen through one hundred twenty.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages twenty-seven through fifty-nine of this report.

Other Information

The combining statements referred to earlier in connection with non-major are presented immediately following the notes to the financial statements. Combining governmental fund statements can be found on pages sixty through sixty-seven of this report.

STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Government-Wide Financial Analysis

The City has restated the business activities net assets and associated assets as of June 30, 2009. Note 12 provides detail as to the restatements. The condensed financial information for the fiscal year ended June 30, 2008, presented below, and has not been changed to reflect the restatement of net assets.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$109,193,970 at the close of the most recent fiscal year. Approximately sixty-eight percent of the City's net assets are composed of investment in capital assets (e.g., land, buildings, machinery, and equipment) less any debt, used to acquire those assets, that is still outstanding. The City uses these assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Assets (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	06/30/09	06/30/08	06/30/09	06/30/08	06/30/09	06/30/08
Assets:						
Current and other assets	\$ 26,802	\$ 25,253	\$ 24,958	\$ 16,258	\$ 51,760	\$ 41,511
Capital assets, net of accumulated depreciation	59,180	45,661	34,586	35,807	93,766	81,468
Total assets	<u>85,982</u>	<u>70,914</u>	<u>59,544</u>	<u>52,065</u>	<u>145,526</u>	<u>122,979</u>
Liabilities:						
Current liabilities	3,731	5,004	1,276	2,425	5,007	7,429
Long-term liabilities	6,285	6,008	25,040	15,809	31,325	21,817
Total liabilities	<u>10,016</u>	<u>11,012</u>	<u>26,316</u>	<u>18,234</u>	<u>36,332</u>	<u>29,246</u>
Net Assets:						
Invested in capital assets, net of related debt	53,884	39,704	20,586	35,459	74,470	75,163
Restricted:						
Debt service	1,896	-	1,822	-	3,718	-
Expendable endowment	-	-	6,573	-	6,573	-
Unrestricted	20,186	20,198	4,247	(1,628)	24,433	18,570
Total net assets	<u>\$ 75,966</u>	<u>\$ 59,902</u>	<u>\$ 33,228</u>	<u>\$ 33,831</u>	<u>\$ 109,194</u>	<u>\$ 93,733</u>

The City has net assets of \$3,717,495 restricted for debt service, and \$6,572,731 restricted for expendable endowment at June 30, 2009. The remaining balance of unrestricted net assets at June 30, 2009 is \$24,433,678 and that amount may be used to meet the government's ongoing obligations to citizens and creditors. The City increased its net assets by \$15,637,145 during the current fiscal year. At the end of the current fiscal year, the City is able to report positive balances in the four categories of net assets.

STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Government-Wide Financial Analysis (continued)

At June 30, 2008, unrestricted cash totaled \$20,862,752. At the end of the current year, unrestricted cash totaled \$25,481,119; an increase of \$4,618,367. There were many funds that reflected increases and decreases in cash and investments. The general fund cash increased by \$948,870, and the non-major funds cash and investments increased by \$1,873,454.

The Joint Water and Sewer Fund unrestricted cash increased by \$2,216,507. In addition, the National Cave-Karst Institute Fund cash was reclassified from unrestricted to restricted.

At June 30, 2008, receivables for the City equaled \$7,783,243. At June 30, 2009, the receivables totaled \$11,191,918. The net increase in the receivables was \$3,408,675. The majority of the increase is attributed to intergovernmental receivables. The majority of the intergovernmental receivables will be collected shortly after year-end and no allowance for doubtful receipts has been recorded for those types of receivables.

Current and other assets within the governmental activities increased from \$25,252,770 in 2008 to \$26,802,309 in 2009, an increase of \$1,549,539. Unrestricted cash increased \$2,262,819 due to increased gross receipts tax generated by the strong economic environment. Taxes receivable increased \$557,127, mainly due to increased gross receipts taxes. Intergovernmental receivables increased \$2,668,846, and a new internal balance of \$(4,401,818) occurred mainly due to federal and state grants that had not been received at year end. Restricted cash and restricted investments increased \$574,107. These changes account for sixty-six percent of the increase to the governmental activities current assets.

Current and other assets within the business-type activities increased from \$16,257,846 in 2008 to \$24,957,987 in 2009, an increase of \$8,700,141. This was almost solely due to the refunding and refinancing of the 1998 Water & Sewer Bond and issuance of a 2009 Water & Sewer Bond with a net cash receipt of almost \$8,000,000.

Government-wide current liabilities that consist of accounts payable, accrued salaries, accrued liabilities, accrued interest payable, deferred revenues, and deposits payable at June 30, 2009, equaled \$5,007,424. At June 30, 2008, the City reported an amount equal to \$5,454,972. The current liabilities decreased by \$447,548. Although several of these liabilities increased, accounts payable decreased by \$715,182 due mostly to a one-time economic development expenditure recorded in accounts payable as of June 2008 but paid in the year ending as of June 2009.

At June 30, 2008, the long-term debt, including the current portion equaled \$23,791,729. The liabilities were increased by \$7,532,713 during the current fiscal year to \$31,324,442. This is due primarily to the issuance of the above mentioned 2009 Water & Sewer Bond.

The government-wide net assets at June 30, 2008, totaled \$109,193,970. Those net assets were increased by \$15,461,391 after the restatement of capital assets. The governmental net assets were increased by \$16,064,898, while the business-type assets were restated and decreased by \$603,507. The business-type assets were restated by \$175,754 in capital assets.

A condensed comparative statement of activities is as follows:

STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Government-Wide Financial Analysis (continued)

	Condensed Statement of Activities (In Thousands)					
	Governmental Activities		Business-type Activities		Total	
	06/30/09	06/30/08	06/30/09	06/30/08	06/30/09	06/30/08
Revenues:						
Program revenues:						
Charges for services	\$ 1,864	\$ 1,806	\$ 11,746	\$ 11,160	\$ 13,610	\$ 12,966
Operating grants and contributions	1,682	2,411	320	538	2,002	2,949
Capital grants and contributions	11,260	7,520	-	64	11,260	7,584
General revenues:						
Local effort taxes	3,520	3,390	-	-	3,520	3,390
State shared taxes	23,899	21,047	490	686	24,389	21,733
Investment income	80	217	310	548	390	765
Donations	379	30	74	3	453	33
Gain (loss) on disposal of assets	89	43	10	2	99	45
Total revenues	<u>42,773</u>	<u>36,464</u>	<u>12,950</u>	<u>13,001</u>	<u>55,723</u>	<u>49,465</u>
Expenses:						
General government	4,242	4,677	-	-	4,242	4,677
Public safety	13,483	12,853	-	-	13,483	12,853
Public works	5,459	5,493	-	-	5,459	5,493
Culture and recreation	4,800	4,496	-	-	4,800	4,496
Health and welfare	241	360	-	-	241	360
Economic development	1,007	1,875	-	-	1,007	1,875
Water	-	-	3,173	3,194	3,173	3,194
Solid waste	-	-	2,562	2,505	2,562	2,505
Wastewater	-	-	2,987	2,793	2,987	2,793
Museum	-	-	9	9	9	9
Municipal transit	-	-	634	570	634	570
Performing arts centre	-	-	218	224	218	224
Cemetery	-	-	315	306	315	306
Interest on long-term debt	216	236	740	721	956	957
Total expenses	<u>29,448</u>	<u>29,990</u>	<u>10,638</u>	<u>10,322</u>	<u>40,086</u>	<u>40,312</u>
Transfers, net	<u>2,740</u>	<u>1,800</u>	<u>(2,740)</u>	<u>(1,800)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ 16,065</u>	<u>\$ 8,274</u>	<u>\$ (428)</u>	<u>\$ 879</u>	<u>\$ 15,637</u>	<u>\$ 9,153</u>

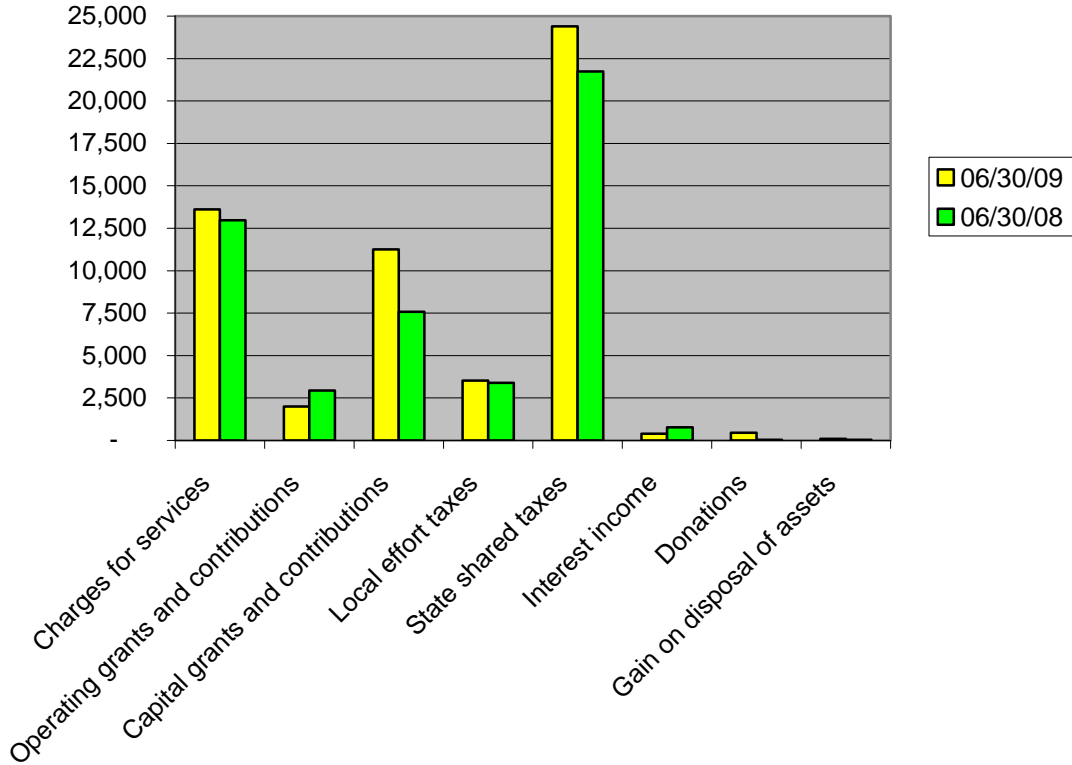
**STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Government-Wide Financial Analysis (continued)

Comparison of Revenues - By Function

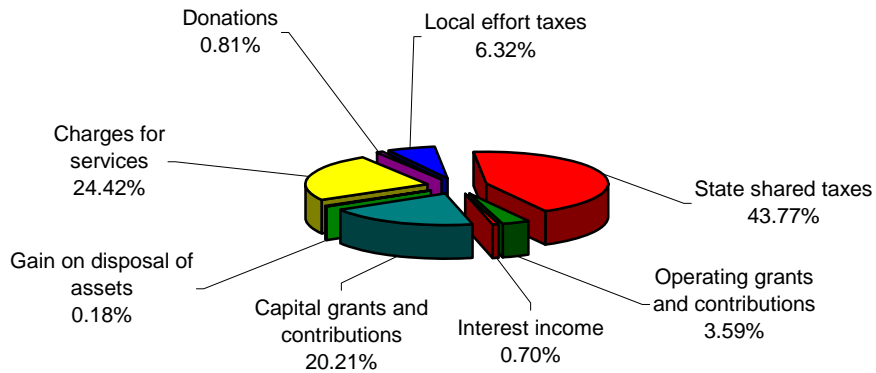
All Activities

(In Thousands)



Total Revenues By Activity

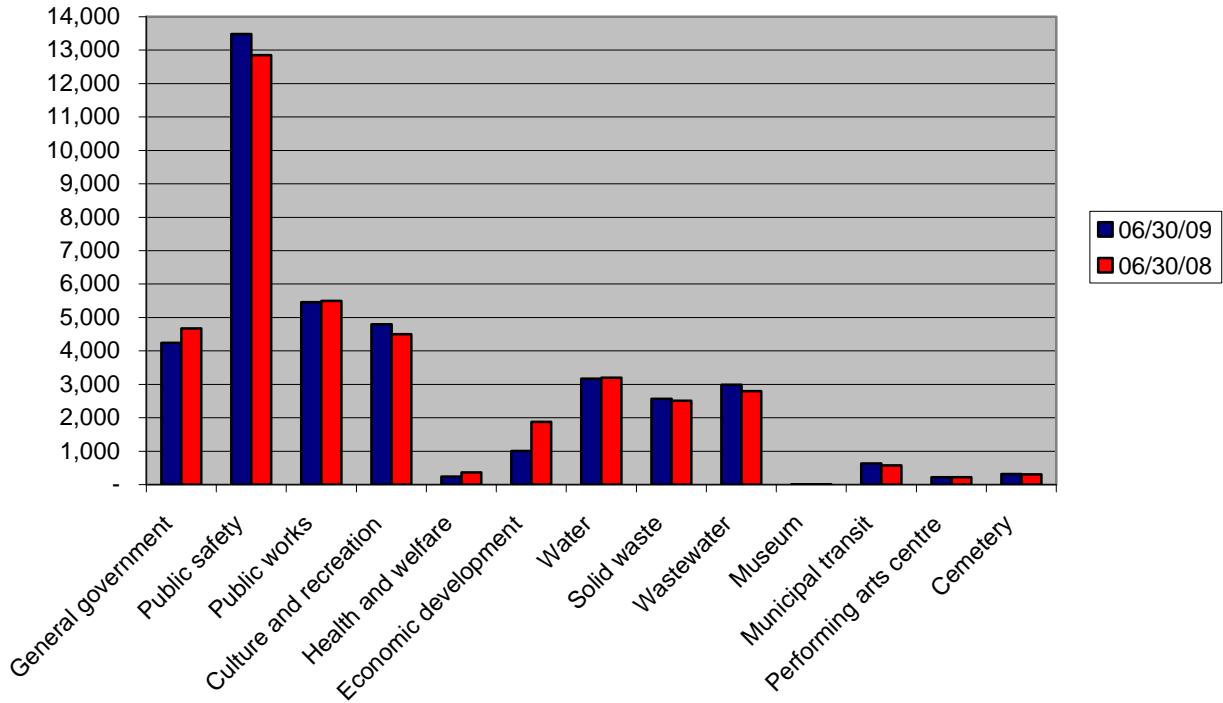
June 30, 2009



**STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Government-Wide Financial Analysis (continued)

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



The statement of activities from 2009 shows revenue increases in governmental activities and revenue decreases in business-type activities when compared to the 2008 fiscal year. Specifically, governmental activities program and general revenues increased by \$6,308,823, and business-type activities program and general revenues decreased by \$50,952. The largest increase in the governmental activities occurred within capital grants and contributions of \$3,740,537, an increase of approximately fifty percent. The next largest in the governmental activities occurred within local effort and state shared taxes of \$2,981,873, an increase of approximately twelve percent. There were numerous other increases and decreases that resulted in the net increase in governmental activity revenues of seventeen percent. Although charges for services for the business-type activities exhibited a five percent increase of \$585,317; operating grants and contributions, capital grants and contributions, and general revenues all decreased for an overall .4% decrease.

In the current year, governmental activities expenses totaled \$29,448,524. The previous year, governmental activities expenses were equal to \$29,990,371. The decrease in current year expenses amounted to \$541,847.

STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Government-Wide Financial Analysis (continued)

The largest decrease in governmental activities expenses occurred within the City's economic development. For 2008, the City's economic development expenses totaled \$1,875,453, and decreased by \$868,949 for a total of \$1,006,504. A forty-six percent decrease for economic development expenses. This decrease reflects a reduction of one-time expenditures on economic development grants.

For 2009, the City reflected an increase in governmental activities net assets of \$16,064,898 due to current year's operations. In the prior year, the increase was \$8,273,893. The difference between the years is \$7,791,005. The business-type activities reflect a decrease in net assets of \$427,753 due to operations for the current fiscal year. In the previous year, the increase amounted to \$878,791.

For the previous year, the business-type activities reported expenses as \$10,322,349. For the current year, the City reports expenses as \$10,637,290, an increase of \$314,941, over 50% of which is in wastewater due to aging equipment and infrastructure.

Financial Analysis of the City's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$18,329,243. Approximately ninety-seven percent of this total or \$17,775,286 constitutes undesignated, unreserved fund balances, which are available for spending at the City's discretion. The remainder of fund balance, \$553,957 is reserved for subsequent year's spending (\$138,715) and debt service (\$415,242). It is not available for new spending because it has already been committed to next year's budget, and for debt service reserves. The general fund balance of \$11,330,914 represents sixty-two percent of the total governmental fund balances. The City's major funds' (general, state legislative and National Cave-Karst Institute) fund balance decreased by \$2,008,725 during the current fiscal year. While the nonmajor funds increased their fund balances by \$2,833,560.

General fund revenues totaled \$26,874,267 for the fiscal year, while expenditures were \$23,528,787. Revenues exceeded expenditures by \$3,345,480 prior to transfers in and out of the general fund. During the year, the general fund received \$2,977,677 from other City funds while it transferred \$7,437,281. The net transfer out of \$4,459,604 decreased the excess revenues over expenditures resulting in a net decrease of fund balance of (\$1,114,124). Comparing this to the change in net assets of 2008 in the amount of \$627,733, we see the City increased transfers out from the general fund of approximately two and one-quarter million dollars for infrastructure improvements.

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Financial Analysis of the City's Funds (continued)

Proprietary Funds

The solid waste fund reflects a net decrease in net assets in the amount of \$393,527. Comparing this to the increase in net assets of \$232,878 in 2008, we see a decrease of \$626,405 from 2008 to 2009. Total revenues (both operating and non-operating) for 2008 were \$4,349,791 compared to 2009 revenues of \$3,999,240. The major factors contributing to the change between the net income and loss between the two years were that state shared taxes decreased by \$196,235; intergovernmental revenues decreased by \$202,673; and net transfers out increased by \$221,072.

The joint water and sewer fund reflects a decrease in net assets of \$25,361 for 2009. This compares to the increase in net assets of \$277,941 in 2008. Charges for services increased \$548,188 due to higher usage and a 3.1% increase effective October 1, 2008. Interest income decreased by \$231,930 due to lower interest rates and converting cash to investments to cover operating expenses. In addition, net transfers out increased by \$441,483. Due to loan repayments and infrastructure and improvement expenditures, this fund continues to have small negative losses.

General Fund Budgetary Highlights

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

During the current fiscal year, the City budgeted general fund revenues at \$24,773,747. The actual revenues for the fiscal year were \$27,073,247, a favorable variance of \$2,299,500. Local effort taxes and shared taxes were over budget by \$144,333 and \$2,215,559, respectively. This is because of the increases in the GRT returns for the year. Charges for services were over the budgeted amount by \$122,910 due mostly to ambulance service fees. These together are a reflection of the area's continued strong economy during this fiscal year. However, interest was under budget by \$59,929 due to a decrease in interest rates, a reflection of the weak national economy.

For the year ended June 30, 2009, the City anticipated that expenditures would exceed revenues and net transfers in by \$4,846,139. Actual expenditures of \$23,085,164 and net transfers out of \$4,458,119 exceeded revenues of \$27,073,247, producing a deficiency of expenditures over revenues of \$470,036.

General government expenditures showed to be under budget by \$473,263. The major portion of that was an under budget in operating expenses. Public safety expenditures showed to be under budget by \$802,346. This was reflected mostly in salaries and benefits for the police department, which was under budget by \$668,811. This was due to some unfilled positions. Public works expenditures showed to be under budget by \$365,193. This is due partially from being under budget in salaries and benefits, which was due to positions that went unfilled for a portion of the year; and partially from being under budget in operating expense.

STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

General Fund Budgetary Highlights (continued)

Culture and recreation expenditures showed to be under budget by \$131,408. This is due partially from being under budget in salaries and benefits, which was due to positions that went unfilled for a portion of the year; and partially from being under budget in operating expense.

Health and welfare expenditures prove to be under budget by \$1,650, an acceptable variance.

Economic development expenditures showed to be under budget by \$27,516. Most of that was from being under budget in salaries and benefits by \$23,083, due to unfilled positions during the year.

Capital outlay expenditures showed to be under budget by \$275,230. This is due to not receiving various ordered capital items (ambulance, backhoe, and vehicle) and not completing miscellaneous airport improvements.

During the fiscal year, the City increased anticipated revenues by \$60,867. The City increased anticipated expenditures by \$1,702,503 for the fiscal year. The main reason for the increase in the final budgeted revenues from the original budgeted revenues was additional state grants of \$41,239, federal grants of \$4,193, and other revenues of \$15,435. During the year, the City increased its budgeted expenditures by \$900,000 for salaries, with the remainder to general operating expenditures.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2008, the City originally reported capital assets as \$81,468,664; \$45,661,396 as governmental activities capital assets and \$35,807,268 as business-type capital assets. The City has restated the business-type activities capital assets by decreasing the assets by \$175,754 due to errors that were discovered during subsequent to the issuance of the prior year's financial statements. The amounts reflected for the 2008 business-type assets on the following page do not reflect the restatement of \$175,754.

The City's investment in capital assets for the government as of June 30, 2009, amounts to \$93,765,540 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, utility systems, and machinery and equipment.

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

- Governmental Activities – During the fiscal year, the City expended \$16,455,901 for capital assets. Ninety percent of the expenditures were for buildings and infrastructure.
- Business-Type Activities – During the fiscal year, the City decreased their capital assets by \$1,045,936 due mainly to depreciation.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Capital Assets and Debt Administration (continued)

Capital Assets (continued)

	Capital Assets - Net of Accumulated Depreciation (In Thousands)					
	Governmental Activities		Business-type Activities		Total	
	06/30/09	06/30/08	06/30/09	06/30/08	06/30/09	06/30/08
Land	\$ 1,911	\$ 1,918	\$ 1,110	\$ 1,113	\$ 3,021	\$ 3,031
Construction in progress	278	24	208	36	486	60
Buildings	28,840	24,831	1,392	1,593	30,232	26,424
Improvements	39	35	10,148	10,390	10,187	10,425
Infrastructure	24,504	15,723	-	-	24,504	15,723
Utility system	-	-	19,839	20,550	19,839	20,550
Equipment	3,608	3,130	1,889	2,125	5,497	5,255
Total capital assets	<u>\$ 59,180</u>	<u>\$ 45,661</u>	<u>\$ 34,586</u>	<u>\$ 35,807</u>	<u>\$ 93,766</u>	<u>\$ 81,468</u>

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

Long-Term Debt

At the end of the current year, the City had total debt outstanding of \$31,324,442, which consists of notes, bonds, compensated absences, and landfill post-closure liability. The bonds payable are secured by pledged gross receipts tax or operating revenues.

The state of New Mexico Constitution provides for a legal limit of four percent (4.0%) of taxable valuation for general obligation bonds. The City's taxable value of property in 2008 was \$300,268,216. The City may currently issue up to \$12,010,729 in general obligation bonds. At the present time, the City does not have any general obligation bonds.

	Long-Term Debt (In Thousands)					
	Governmental Activities		Business-type Activities		Total	
	06/30/09	06/30/08	06/30/09	06/30/08	06/30/09	06/30/08
Notes payable	\$ 2,731	\$ 3,147	\$ 395	\$ 348	\$ 3,126	\$ 3,495
Bonds payable	2,565	2,810	21,290	13,705	23,855	16,515
Landfill post closure	-	-	3,241	2,762	3,241	2,762
Compensated absences	989	913	113	106	1,102	1,019
Total long-term debt	<u>\$ 6,285</u>	<u>\$ 6,870</u>	<u>\$ 25,039</u>	<u>\$ 16,921</u>	<u>\$ 31,324</u>	<u>\$ 23,791</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Currently Known Facts, Decisions, or Conditions

Gross receipts taxes were up 15% from FY 2007-2008. However, due to the national economic environment, the fiscal year 2009-2010 revenue projections were calculated with a zero percent increase from the 2008-2009 year. Such projections included the realization that the City's tax rate was to increase over the prior fiscal year, and therefore was very conservative in its calculation. To date, current gross receipts tax returns have come in 5% below these projections. The City Council has subsequently taken action to reduce the present years budgeted expenditures by a similar five percent.

In May 2008, the City Council adopted Ordinance 2008-05 approving the seventh increment (.25%) of municipal gross receipts tax. In July 2008 the City Council also adopted Ordinance 2008-09 for all four possible increments totaling .25% of the municipal capital outlay gross receipts tax. These both were implemented January 1, 2009, to be used for infrastructure projects in FY 2008-2009 and beyond. During the 2008-09 fiscal year, the City successfully pursued the refinancing of the 1998 Water and Sewer Revenue Bonds for a net increase to available project cash of approximately \$8,000,000. In July 2009 (fiscal year 2009-2010), the City issued new 2009 capital outlay gross receipts revenue bonds also in the approximate amount of \$8,000,000. These new funds will be utilized to pursue improvements to City infrastructure as considered during the previous year's development of an infrastructure capital improvement plan totaling \$45,000,000.

Utility funds continue to struggle with the solid waste fund still being the weakest because of rising fuel and equipment costs, however, garbage charges for services were increased in October 2009 to help with rising costs. We recently closed on an eighteen million dollar loan to renovate and expand the current wastewater treatment facility. To repay the loan, we are anticipating an increase to sewer rates beginning October 2010. The City's continuing investment in infrastructure improvements is designed to maintain current levels of service and also prepare for future growth.

Request for Information

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 18,162,012	\$ 7,319,107	\$ 25,481,119
Receivables, net of allowance for doubtful accounts:			
Accounts	378,245	1,334,775	1,713,020
Taxes	4,559,667	70,690	4,630,357
Intergovernmental	4,733,330	-	4,733,330
Interest	10,021	3,190	13,211
Note	-	102,000	102,000
Inventory	-	263,070	263,070
Internal balances	(4,401,818)	4,401,818	-
Restricted cash	2,962,549	3,872,625	6,835,174
Restricted investments	398,303	6,631,640	7,029,943
Capital assets:			
Land and construction in progress	2,189,226	1,317,650	3,506,876
Other capital assets, net of depreciation	56,990,737	33,267,927	90,258,664
Unamortized bond issuance costs including original issue discount	-	959,072	959,072
Total assets	<u>85,982,272</u>	<u>59,543,564</u>	<u>145,525,836</u>
LIABILITIES			
Accounts payable	1,060,230	152,248	1,212,478
Accrued salaries	847,133	190,481	1,037,614
Accrued liabilities	-	51,129	51,129
Accrued interest payable	62,406	74,410	136,816
Deferred revenues	1,761,210	1,767	1,762,977
Deposits payable	-	806,410	806,410
Long-term liabilities:			
Due within one year	1,003,466	874,357	1,877,823
Due in more than one year	5,281,188	24,165,431	29,446,619
Total liabilities	<u>10,015,633</u>	<u>26,316,233</u>	<u>36,331,866</u>
NET ASSETS			
Invested in capital assets, net of related debt	53,884,467	20,585,599	74,470,066
Restricted:			
Debt service	1,895,835	1,821,660	3,717,495
Endowment:			
Expendable	-	6,572,731	6,572,731
Unrestricted	20,186,337	4,247,341	24,433,678
Total net assets	<u>\$ 75,966,639</u>	<u>\$ 33,227,331</u>	<u>\$ 109,193,970</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Primary Government Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
						Total	
Primary Government:							
Governmental activities:							
General government	\$ 4,242,192	\$ 627,008	\$ -	\$ -	\$ (3,615,184)		\$ (3,615,184)
Public safety	13,482,559	875,853	1,166,190	436,120	(11,004,396)		(11,004,396)
Public works	5,459,277	170	48,261	6,742,004	1,331,158		1,331,158
Culture and recreation	4,799,905	360,672	364,537	3,603,873	(470,823)		(470,823)
Health and welfare	241,271	-	3,370	334,129	96,228		96,228
Economic development	1,006,504	-	99,770	144,000	(762,734)		(762,734)
Interest on long-term debt	216,816	-	-	-	(216,816)		(216,816)
Total governmental activities	29,448,524	1,863,703	1,682,128	11,260,126	(14,642,567)		(14,642,567)
Business-type activities:							
Water	3,173,028	5,546,859	-	-		\$ 2,373,831	2,373,831
Solid waste	2,562,098	3,437,814	-	-		875,716	875,716
Wastewater	2,986,917	2,525,996	-	-		(460,921)	(460,921)
Museum	8,737	9,023	-	-		286	286
Municipal transit	633,596	67,210	320,014	-		(246,372)	(246,372)
Performing arts centre	217,423	-	-	-		(217,423)	(217,423)
Cemetery	315,000	158,603	-	-		(156,397)	(156,397)
Interest on long-term debt	740,491	-	-	-		(740,807)	(740,807)
Total business-type activities	10,637,290	11,745,505	320,014	-	-	1,427,913	1,427,913
Total primary government	\$ 40,085,814	\$ 13,609,208	\$ 2,002,142	\$ 11,260,126	(14,642,567)	1,427,913	(13,214,654)
General Revenues:							
Gross receipts taxes					23,411,764	489,566	23,901,330
Property taxes, levied for general purposes					1,911,894	-	1,911,894
Lodger's taxes					818,091	-	818,091
Franchise taxes					790,078	-	790,078
Gasoline and motor vehicle taxes					405,580	-	405,580
Cigarette taxes					81,593	-	81,593
Interest income					79,690	310,382	390,072
Donations					379,027	74,423	453,450
Gain (loss) on disposal of assets					89,468	10,243	99,711
Total general revenues					27,967,185	884,614	28,851,799
Transfers, net					2,740,280	(2,740,280)	-
Change in net assets					16,064,898	(427,753)	15,637,145
Net assets, beginning of year restated					59,901,741	33,830,838	93,732,579
Restatements					-	(175,754)	(175,754)
Net assets, beginning of year restated					59,901,741	33,655,084	93,556,825
Net assets, end of year					\$ 75,966,639	\$ 33,227,331	\$ 109,193,970

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF CARLSBAD
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General Fund	State Legislative Fund	National Cave- Karst Institute Fund	Non-Major Funds	Total Governmental Funds
ASSETS					
Cash	\$ 8,667,717	\$ -	\$ -	\$ 5,991,044	\$ 14,658,761
Receivables, net of allowance for doubtful accounts:					
Accounts	293,097	-	-	85,148	378,245
Taxes	3,558,473	-	-	1,001,194	4,559,667
Intergovernmental	31,490	3,027,077	-	1,674,763	4,733,330
Interest	9,294	-	-	90	9,384
Note	-	-	-	-	-
Restricted:					
Cash	-	-	1,761,210	-	1,761,210
Investments	-	-	-	398,303	398,303
Total assets	<u>\$ 12,560,071</u>	<u>\$ 3,027,077</u>	<u>\$ 1,761,210</u>	<u>\$ 9,150,542</u>	<u>\$ 26,498,900</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 298,034	\$ 63,448	\$ -	\$ 668,894	\$ 1,030,376
Accrued salaries	830,403	-	-	16,730	847,133
Accrued interest payable	-	-	-	28,400	28,400
Deferred revenues	100,720	-	1,761,210	-	1,861,930
Due to other funds	-	4,401,818	-	-	4,401,818
Total liabilities	1,229,157	4,465,266	1,761,210	714,024	8,169,657
Fund Balances:					
Reserved:					
Debt service reported in nonmajor:					
Special revenue funds	-	-	-	91,639	91,639
Debt service funds	-	-	-	323,603	323,603
Subsequent year's expenditures reported in nonmajor:					
Special revenue funds	-	-	-	138,715	138,715
Unreserved	11,330,914	(1,438,189)	-	-	9,892,725
Unreserved, reported in nonmajor:					
Special revenue funds	-	-	-	1,017,024	1,017,024
Capital projects funds	-	-	-	5,293,075	5,293,075
Debt service funds	-	-	-	1,572,462	1,572,462
Total fund balances	<u>11,330,914</u>	<u>(1,438,189)</u>	<u>-</u>	<u>8,436,518</u>	<u>18,329,243</u>
Total liabilities and fund balances	<u>\$ 12,560,071</u>	<u>\$ 3,027,077</u>	<u>\$ 1,761,210</u>	<u>\$ 9,150,542</u>	<u>\$ 26,498,900</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

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

Total fund balance governmental funds (page nineteen)	\$	18,329,243
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		59,179,963
Recognition of property tax revenue is reflected on full accrual basis within the statement of net assets. Governmental funds recognize property tax on the modified accrual basis.		100,720
Certain accrued interest expense is not due and payable in the current period and therefore is not reported in the governmental funds.		(34,006)
Long-term liabilities, including notes payable, that are not due and payable in the current period, and, therefore are not reported in the funds.		(6,284,654)
Residual balances of the internal service funds are included within the governmental activities and are not reported with the governmental funds.		<u>4,675,373</u>
Net assets of governmental activities (page seventeen)	\$	<u><u>75,966,639</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	State Legislative Fund	National Cave- Karst Institute Fund	Non-Major Funds	Total Governmental Funds
Revenues:					
Local effort taxes	\$ 2,688,595	\$ -	\$ -	\$ 818,091	\$ 3,506,686
State shared taxes	21,682,186	-	-	2,244,543	23,926,729
Intergovernmental	796,817	5,247,992	339,690	6,506,520	12,891,019
Charges for services	756,193	-	-	155,356	911,549
Licenses and permits	179,920	-	-	66,568	246,488
Fines and forfeitures	260,609	-	-	-	260,609
Interest	51,156	-	-	13,314	64,470
Miscellaneous	458,791	-	-	478,646	937,437
Total revenues	26,874,267	5,247,992	339,690	10,283,038	42,744,987
Expenditures:					
Current:					
General government	3,556,996	-	-	122,990	3,679,986
Public safety	11,929,000	-	-	548,761	12,477,761
Public works	3,644,860	13,098	-	670,273	4,328,231
Culture and recreation	3,201,416	58,021	-	903,849	4,163,286
Health and welfare	176,376	-	-	52,166	228,542
Economic development	133,692	-	-	765,030	898,722
Capital outlay	886,447	6,011,745	339,690	9,218,019	16,455,901
Debt service:					
Principal	-	-	-	661,768	661,768
Interest	-	-	-	219,483	219,483
Total expenditures	23,528,787	6,082,864	339,690	13,162,339	43,113,680
Excess (deficiency) of revenues over expenditures	3,345,480	(834,872)	-	(2,879,301)	(368,693)
Other Financing Sources (Uses):					
Transfers in	2,977,677	90,000	-	6,082,654	9,150,331
Transfers (out)	(7,437,281)	(149,729)	-	(369,793)	(7,956,803)
Total other financing sources (uses)	(4,459,604)	(59,729)	-	5,712,861	1,193,528
Net change in fund balances	(1,114,124)	(894,601)	-	2,833,560	824,835
Fund balance, beginning of year	12,445,038	(543,588)	-	5,602,958	17,504,408
Fund balance, end of year	\$ 11,330,914	\$ (1,438,189)	\$ -	\$ 8,436,518	\$ 18,329,243

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

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

Net change in fund balances total governmental funds (page twenty-one)	\$	824,835
Net change in net assets of internal service funds (page twenty-five)		1,119,535
Governmental funds report capital outlay as expenditures in the amount of \$16,455,901, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the amount of \$2,936,892. The net adjustment is \$13,519,009.		13,519,009
Within the statement of activities, the basis of capital assets disposed of are netted with the gross proceeds to produce a gain or loss. The disposal of capital assets does not use current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(442)
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current periods expenditures, and therefore, are reported as deferred revenue in the funds.		13,377
Accrued interest expense not due within thirty days after year end is not considered in the current period and is not reported in the governmental funds. The decrease of the accrued interest liability from the previous year reduces the interest expense within the statement of activities.		2,667
The repayment of principal of long-term consumes the current financial resources of governmental funds, however, is not recorded as an expense within the statement of activities.		661,768
Increase in the compensated absences liability is reflected as an expense within the statement of activities and the expense does not use a current financial resource and is not recorded in the governmental funds statement.		<u>(75,851)</u>
Net change in net assets - government-wide financial statements (page eighteen)	\$	<u><u>16,064,898</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Local effort taxes	\$ 2,556,731	\$ 2,556,731	\$ 2,701,064	\$ 144,333
State shared taxes	19,707,082	19,707,082	21,922,641	2,215,559
Intergovernmental	790,720	836,152	815,007	(21,145)
Charges for services	700,650	700,650	823,560	122,910
Licenses and permits	193,983	193,983	179,670	(14,313)
Fines and forfeitures	300,714	300,714	260,609	(40,105)
Interest	139,500	139,500	79,571	(59,929)
Miscellaneous	323,500	338,935	291,125	(47,810)
Total revenues	<u>24,712,880</u>	<u>24,773,747</u>	<u>27,073,247</u>	<u>2,299,500</u>
Expenditures:				
Current:				
General government	3,510,143	3,987,122	3,513,859	473,263
Public safety	11,820,442	12,517,308	11,714,962	802,346
Public works	3,733,620	3,970,144	3,604,951	365,193
Culture and recreation	3,068,596	3,263,344	3,131,936	131,408
Health and welfare	169,228	176,747	175,097	1,650
Economic development	152,373	159,754	132,238	27,516
Capital outlay	1,004,865	1,087,351	812,121	275,230
Total expenditures	<u>23,459,267</u>	<u>25,161,770</u>	<u>23,085,164</u>	<u>2,076,606</u>
Excess (deficiency) of revenues over expenditures	1,253,613	(388,023)	3,988,083	4,376,106
Other Financing Sources (Uses):				
Transfers in	2,950,199	2,977,680	2,977,677	(3)
Transfers (out)	(6,112,009)	(7,435,796)	(7,435,796)	-
Total other financing sources (uses)	<u>(3,161,810)</u>	<u>(4,458,116)</u>	<u>(4,458,119)</u>	<u>(3)</u>
Net change in cash balance	<u>(1,908,197)</u>	<u>(4,846,139)</u>	<u>(470,036)</u>	<u>4,376,103</u>
Cash balance, beginning of year	7,718,847	7,718,847	7,718,847	-
Cash repaid from other funds	<u>-</u>	<u>-</u>	<u>1,418,906</u>	<u>1,418,906</u>
Cash balance, end of year	<u>\$ 5,810,650</u>	<u>\$ 2,872,708</u>	<u>\$ 8,667,717</u>	<u>\$ 5,795,009</u>

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Solid Waste Fund	Joint Water and Sewer Fund	Non-Major Funds	Total	
Assets:					
Current assets:					
Cash	\$ 2,323,050	\$ 4,606,366	\$ 389,691	\$ 7,319,107	\$ 3,503,251
Receivables (net of allowance):					
Accounts	324,604	1,004,745	5,426	1,334,775	-
Taxes	70,690	-	-	70,690	-
Interest	1,576	1,614	-	3,190	637
Note	-	102,000	-	102,000	-
Due from other funds	-	4,401,818	-	4,401,818	-
Inventory	-	263,070	-	263,070	-
Non-Current assets:					
Restricted assets:					
Cash	-	3,872,625	-	3,872,625	1,201,339
Investments	58,909	6,572,731	-	6,631,640	-
Capital assets:					
Land	10,000	932,953	167,127	1,110,080	-
Construction in progress	36,302	39,557	131,711	207,570	-
Buildings	-	-	2,892,996	2,892,996	-
Improvements	-	17,210,559	304,068	17,514,627	-
Utility system and facilities	3,319,339	30,903,486	-	34,222,825	-
Equipment	3,147,795	4,708,080	759,485	8,615,360	-
Less accumulated depreciation	(5,206,716)	(23,332,972)	(1,438,193)	(29,977,881)	-
Total capital assets, net	<u>1,306,720</u>	<u>30,461,663</u>	<u>2,817,194</u>	<u>34,585,577</u>	<u>-</u>
Unamortized bond issuance costs including original issue discount	-	959,072	-	959,072	-
Total assets	<u>4,085,549</u>	<u>52,245,704</u>	<u>3,212,311</u>	<u>59,543,564</u>	<u>4,705,227</u>
Liabilities:					
Current liabilities:					
Accounts payable	17,150	113,717	21,381	152,248	29,854
Accrued salaries	53,280	116,339	20,862	190,481	-
Accrued liabilities	-	51,129	-	51,129	-
Accrued interest payable	1,629	72,781	-	74,410	-
Deferred revenues	-	-	1,767	1,767	-
Customer deposits	-	806,410	-	806,410	-
Current maturities of:					
Bonds payable	-	750,000	-	750,000	-
Notes payable	55,085	5,159	-	60,244	-
Compensated absences	18,288	38,980	6,845	64,113	-
Total current liabilities	<u>145,432</u>	<u>1,954,515</u>	<u>50,855</u>	<u>2,150,802</u>	<u>29,854</u>
Non-Current liabilities:					
Bonds payable	-	20,540,000	-	20,540,000	-
Notes payable	239,893	95,111	-	335,004	-
Compensated absences	20,969	24,302	3,899	49,170	-
Landfill closure and post-closure	3,241,257	-	-	3,241,257	-
Total non-current liabilities	<u>3,502,119</u>	<u>20,659,413</u>	<u>3,899</u>	<u>24,165,431</u>	<u>-</u>
Total liabilities	<u>3,647,551</u>	<u>22,613,928</u>	<u>54,754</u>	<u>26,316,233</u>	<u>29,854</u>
Net assets:					
Invested in capital assets, net of related debt	1,011,742	16,756,663	2,817,194	20,585,599	-
Restricted:					
Debt service	-	1,821,660	-	1,821,660	-
Endowment:					
Expendable	-	6,572,731	-	6,572,731	-
Unrestricted	(573,744)	4,480,722	340,363	4,247,341	4,675,373
Total net assets	<u>\$ 437,998</u>	<u>\$ 29,631,776</u>	<u>\$ 3,157,557</u>	<u>\$ 33,227,331</u>	<u>\$ 4,675,373</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Solid Waste Fund	Joint Water and Sewer Fund	Non-Major Funds	Total	
Operating Revenues:					
Charges for services	\$ 3,437,814	\$ 8,055,276	\$ 234,836	\$ 11,727,926	\$ 3,068,406
Operating Expenses:					
Personnel services	1,218,341	2,631,068	473,265	4,322,674	-
General operating	1,123,446	2,203,747	532,998	3,860,191	3,510,843
Depreciation	220,311	1,325,130	168,493	1,713,934	-
Total operating expenses	2,562,098	6,159,945	1,174,756	9,896,799	3,510,843
Operating income (loss)	875,716	1,895,331	(939,920)	1,831,127	(442,437)
Non-Operating Revenues (Expenses):					
State shared taxes	489,566	-	-	489,566	-
Intergovernmental	-	-	320,014	320,014	-
Interest income	15,288	295,094	-	310,382	15,220
Miscellaneous	46,329	17,579	28,094	92,002	-
Interest expense	(11,902)	(728,905)	-	(740,807)	-
Disposal of assets	10,243	-	-	10,243	-
Total non-operating revenues (expenses)	549,524	(416,232)	348,108	481,400	15,220
Income (Loss) before transfers	1,425,240	1,479,099	(591,812)	2,312,527	(427,217)
Transfers:					
Transfers in	199,744	158,575	605,619	963,938	2,669,931
Transfers (out)	(2,018,511)	(1,663,035)	(22,672)	(3,704,218)	(1,123,179)
Total transfers	(1,818,767)	(1,504,460)	582,947	(2,740,280)	1,546,752
Change in net assets	(393,527)	(25,361)	(8,865)	(427,753)	1,119,535
Net assets, beginning of year	831,525	29,832,237	3,167,076	33,830,838	3,555,838
Restatements	-	(175,100)	(654)	(175,754)	-
Net assets, beginning of year restated	831,525	29,657,137	3,166,422	33,655,084	3,555,838
Net assets, end of year	\$ 437,998	\$ 29,631,776	\$ 3,157,557	\$ 33,227,331	\$ 4,675,373

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, 2009**

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Solid Waste Fund	Joint Water and Sewer Fund	Non-Major Funds	Total	
Cash Flows From Operating Activities:					
Cash received from customers	\$ 3,326,555	\$ 7,870,257	\$ 291,862	\$ 11,488,674	\$ -
Internal activity-receipts from other funds	-	-	-	-	3,068,406
Cash payments to suppliers for goods and services	(661,179)	(2,277,312)	(237,397)	(3,175,888)	(3,558,568)
Cash payments to employees for services	(1,206,191)	(2,611,425)	(761,800)	(4,579,416)	-
Net cash provided (used) by operating activities	1,459,185	2,981,520	(707,335)	3,733,370	(490,162)
Cash Flows From Non-Capital and Related Financing Activities:					
Cash received from state shared taxes	501,960	-	-	501,960	-
Cash received from intergovernmental sources	-	-	320,014	320,014	3,068,406
Cash received from miscellaneous sources	46,315	-	28,094	74,409	-
Net change in customer deposits	-	(6,267)	-	(6,267)	-
Net transfers in (out)	(1,842,564)	(1,440,196)	582,947	(2,699,813)	1,546,752
Net cash provided (used) by non-capital and related financing activities	(1,294,289)	(1,446,463)	931,055	(1,809,697)	4,615,158
Cash Flows From Capital and Related Financing Activities:					
Acquisition of capital assets	(61,191)	(482,998)	(165,516)	(709,705)	-
Proceeds from the sale of assets	10,243	-	-	10,243	-
Proceeds from the issuance of bonds	-	21,440,000	-	21,440,000	-
Bond issuance costs	-	(623,438)	-	(623,438)	-
Principal payments on capital debt	(53,441)	(13,856,730)	-	(13,910,171)	-
Interest on capital debt	(12,153)	(690,340)	-	(702,493)	-
Net cash provided (used) by capital and related financing activities	(116,542)	5,786,494	(165,516)	5,504,436	-
Cash Flows From Investing Activities:					
Interest income	30,351	329,095	-	359,446	35,244
Loan to state legislative fund	-	(4,401,818)	-	(4,401,818)	-
Net cash provided (used) by investing activities	30,351	(4,072,723)	-	(4,042,372)	35,244
Net increase in cash	78,705	3,248,828	58,204	3,385,737	4,160,240
Cash and cash equivalents, beginning of year	1,545,391	3,072,263	331,487	4,949,141	3,112,756
Cash and cash equivalents, end of year	<u>\$ 1,624,096</u>	<u>\$ 6,321,091</u>	<u>\$ 389,691</u>	<u>\$ 8,334,878</u>	<u>\$ 7,272,996</u>
Displayed as:					
Cash	\$ 2,323,050	\$ 4,606,366	\$ 389,691	\$ 7,319,107	\$ 3,503,251
Restricted cash	-	3,872,625	-	3,872,625	1,201,339
Time deposits not considered cash equivalents	(698,954)	(2,157,900)	-	(2,856,854)	(500,000)
	<u>\$ 1,624,096</u>	<u>\$ 6,321,091</u>	<u>\$ 389,691</u>	<u>\$ 8,334,878</u>	<u>\$ 4,204,590</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$ 875,716	\$ 1,895,331	\$ (939,920)	\$ 1,831,127	\$ (442,437)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	220,311	1,325,130	168,493	1,713,934	-
Landfill monitoring	479,235	-	-	479,235	-
Changes in Assets and Liabilities:					
(Increase) decrease in accounts receivable	(111,259)	(197,282)	55,259	(253,282)	-
Decrease in inventories	-	4,561	-	4,561	-
Increase (decrease) in accounts payable	(16,968)	(70,850)	3,741	(84,077)	(47,725)
Increase in accrued salaries	8,122	16,932	2,498	27,552	-
Increase in accrued liabilities	-	4,987	-	4,987	-
Increase in compensated absences	4,028	2,711	827	7,566	-
Increase in deferred revenues	-	-	1,767	1,767	-
Total adjustments	583,469	1,086,189	232,585	1,902,243	(47,725)
Net cash provided (used) by operating activities	<u>\$ 1,459,185</u>	<u>\$ 2,981,520</u>	<u>\$ (707,335)</u>	<u>\$ 3,733,370</u>	<u>\$ (490,162)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Carlsbad (City), established on March 25, 1918, is a political subdivision of the state of New Mexico, operates under the Mayor-Council form of government. The City provides the following authorized services: public safety (police and fire), highways and streets, water, sanitation, health and welfare, social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

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

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

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. Based on this criterion, there are no component units of the City during the fiscal year ended June 30, 2009.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on a significant extent on fees and charges for support.

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

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The general fund, state legislative fund, and the national cave-Karst institute fund are the major governmental funds.

The solid waste and the joint water and sewer funds are the major enterprise funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor 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
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Derived tax revenues (i.e., sales taxes) are recognized in the period when the exchange transaction on the tax is imposed or when the resources are received, whichever occurs first.

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 balances of financial resources) rather than upon net income. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

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

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

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

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

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The *state legislative capital project fund* was established to record revenues and expenditures for state grant funds received for projects approved by the state legislature. The fund is authorized by City Council.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The City maintains twenty-five other individual governmental funds that are considered nonmajor funds; fourteen are classified as special revenue funds, nine are classified as capital projects funds, and two are classified as debt service funds. A description of each nonmajor governmental fund is as follows:

Special Revenue Funds

The *e-911 fund* accounts for funds distributed to telephone companies receiving funds for the 911 system on behalf of the City of Carlsbad. The fund is authorized by Enhanced 911 Section 63-9D-8, NMSA 1978.

The *home program fund* accounts for funds from the U.S. Department of Housing and Urban Development to strengthen public-private partnerships and to expand the supply of decent, safe, sanitary, and affordable housing, with primary attention to rental housing for very low-income and low-income families. The fund is authorized by U.S. Code of Federal Regulations, Title 24, Volume 1 (24CFR9 2.1).

The *fire protection fund* accounts for the operation and acquisition of assets for the Fire Department. This fund is financed through the state fire allotment. The fund is authorized by the Fire Protection Act, 59A-53-1, NMSA 1978.

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

The *lodger's tax fund* accounts for the operations of promotional activities of the City of Carlsbad. Financing is provided primarily by specific tax levy on area motels and hotels. The fund is authorized by 14-37-16, NMSA 1969.

The *airport fund* accounts for the operating and maintenance of the airport. Financing is provided by federal, state, and county grants. The fund is authorized by City Council and is required by federal grants for segregating interest earned and for auditing purposes.

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Special Revenue Funds (continued)

The *local government corrections fund* accounts for the special fees received on citations used to pay for prisoner care. The fund is authorized by Local Government Corrections Fund Act, 33-3-25, NMSA 1978.

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

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

The *RSVP fund* accounts, maintains, and reports to the state of New Mexico hours performed by retired volunteers in the area. It is financed by a grant from the state of New Mexico. The fund is authorized by the City Council.

The *sports complex fund* accounts for the operation of the City's sports complex. Financing is provided from infrastructure gross receipts tax revenues. The fund is authorized by City Council.

The *WIPP acceleration impact fund* accounts for funds from the U.S. Department of Energy used exclusively for infrastructure improvements, educational support, and economic development in the City, due to the accelerations of the WIPP Project. The fund is authorized by PL 95-91.

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

Capital Projects Funds

The *park improvement fund* accounts for the receipts and disbursements to build and improve parks within the City. Financing is provided from state grants. The fund is authorized by City Council.

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Projects Funds (continued)

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

The *street system improvement fund* accounts for receipts and disbursements for City street improvements. Financing is provided from motor vehicle fees and state and county grants. The fund is authority by City Ordinance 389.

The *CIEP fund* accounts for the financing and acquisition of capital improvements and equipment purchases for the City. Financing is provided from the general fund. The fund is authorized by City Council.

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

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

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

The *GRT capital outlay fund* accounts for receipts and disbursements from the 2009 bond proceeds for capital outlay projects. The gross receipts tax revenues will be used to pay the outstanding bond debt. The fund is authorized by City Council.

Debt Service Funds

The *sports complex fund* accounts for the receipts and disbursements for the construction of the City's Youth Sports Complex. Financing is provided from a New Mexico Finance Authority loan. The fund is authorized by City Council and is in conformance with loan covenants.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Debt Service Funds (continued)

The *2002 sales tax bonds fund* accounts for the receipts and disbursements for the repayment of the refunding 1994 sales tax revenues bonds and provide additional funds for capital improvements and equipment. Financing is provided by the general fund. The fund is authorized by City Council and is in conformance with bond covenants.

The City reports the following major business-type funds:

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

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

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

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

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

The *performing arts centre fund* accounts for the operations of promotional activities of the City. Financing is provided primarily by transfers from the Lodger's Tax Fund. The fund is authorized by 3-38-13 through 3-38-24, NMSA 1978.

The *cemetery fund* accounts for the operation and maintenance of the City cemetery. Financing is provided through lot sales and fees for services. The fund is authorized by 14-41-1, NMSA 1978.

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

The *computer lease equipment fund* accounts for the costs of providing computer equipment to the various departments of the City. Operating transfers are made from various departments to cover the cost of the leasing the equipment.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

Internal Service Funds (continued)

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

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

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

D. Budgets

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

The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the City Council for approval by resolution. The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval.

DFA certifies a pending budget by July 1st with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds are reappropriated in the budget of the subsequent fiscal year.

The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such appropriated balance is presented as a reserved portion of fund balance. Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets (continued)

If a budget transfer is necessary within a fund, this may be accomplished with only local Council approval. If a transfer between “funds” or a budget increase is required, approval must be obtained from the Department of Finance and Administration. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Investments in the City’s cash and certificates of deposit are stated at cost, which approximates fair value. State statutes authorize the City to invest in certificates of deposit, obligations of the state and the U.S. government, and the New Mexico State Treasurer’s investment pool. Cash and certificates of deposit are reported at book value. All other investments are carried at fair market value using quoted market prices. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

2. Receivables and Payables

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

3. Inventory

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

4. Restricted Assets

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

5. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Interfund Activity (continued)

Loans are reported as interfund balance as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as 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.

6. Capital Assets

Capital assets include: property, plant, utility systems, equipment, and infrastructure assets. Infrastructure includes streets, sidewalks, bridges, drainage systems, lighting systems, and similar items. Such assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City's internal capitalization policy defines capital assets as assets with an initial individual cost of more than \$500, and an estimated useful life in excess of one year. Assets are capitalized at historical cost or estimated historical cost if purchased or constructed. It is the policy of the City to capitalize information technology (IT) equipment, including software, and include such items in the furniture, fixtures, and equipment category.

Donated assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add value of the asset or materially extend asset's lives are not capitalized.

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

Library books and periodicals are estimated to have a useful life of less than one year or are under the capitalization threshold and are expensed when purchased.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Capital Assets (continued)

Net revenue bond interest cost incurred during construction is capitalized when material. The City did not incur an interest on construction projects during the current fiscal year and, as such, no interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Buildings and other improvements	10 - 50
Utility system	40
Public domain infrastructure	25
Machinery and equipment, including vehicles	5 - 10

7. Compensated Absences

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

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

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

8. Deferred Revenues

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Deferred Revenues (continued)

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

9. Short-Term Obligations

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

10. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Net Assets

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

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

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

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

12. Fund Equity Reservation and Designations

In the fund financial statements, funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted. Additionally, designations represent tentative managerial plans that are subject to change. Fund equity was reserved or designated for:

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. Fund Equity Reservation and Designations (continued)

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

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

Reserved expendable endowment – The Council has passed an ordinance in which they have set aside funds from the sale of water rights to the New Mexico Interstate Streams Commission. The ordinance allows the Council to add other money to the fund as deemed necessary. The City maintains the funds within the Joint Utility fund. The principal may be appropriated or expended only pursuant to the approval of the voters of the municipality as provided for in Chapter 179, NM Laws of 2001. The council may budget and expend the investment earnings for capital expenditures for the joint utility fund or the servicing of municipal debt related to the utility fund. At the end of each fiscal year, all unexpended or unencumbered investment earnings shall revert to the principal balance.

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

13. Bond Discounts/Issuance Costs

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

14. Presentation

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

15. Cash Flows

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

16. Use of Estimates

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

2. CASH AND INVESTMENTS

Cash

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

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

Cash Deposited With Financial Institutions

The City maintains cash in four financial institutions within Carlsbad, New Mexico. The City's deposits are carried at cost.

As of June 30, 2009, 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:

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
Cash on hand	\$ -	\$ 3,030	\$ 3,030
Carlsbad National Bank	4,525,095	(303,587)	4,221,508
Pioneer Savings Bank	1,854,084	-	1,854,084
Wells Fargo Bank	17,853,683	(1,546,272)	16,307,411
Western Commerce Bank	9,513,557	416,703	9,930,260
Total cash deposits	<u>\$ 33,746,419</u>	<u>\$ (1,430,126)</u>	<u>\$ 32,316,293</u>

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

Statement of Net Assets:	
Cash	\$ 25,481,119
Restricted cash	<u>6,835,174</u>
Total cash reported on financial statements	<u>\$ 32,316,293</u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

2. CASH AND INVESTMENTS (continued)

Cash Deposited With Financial Institutions (continued)

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the City. All deposits are collateralized with eligible securities, as described by New Mexico State statute, in amounts equal to at least 50% of the City carrying value of the deposits (demand and certificates of deposit).

Such collateral, as permitted by the State statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	Carlsbad National Bank	Pioneer Savings Bank	Wells Fargo Bank	Western Commerce Bank
Checking accounts	\$ 1,945,095	\$ -	\$ 16,745,948	\$ 7,138,208
Certificates of deposit	2,580,000	1,854,084	1,107,735	2,375,349
Total deposits	4,525,095	1,854,084	17,853,683	9,513,557
FDIC coverage	(500,000)	(250,000)	(500,000)	(500,000)
Total uninsured public funds	<u>\$ 4,025,095</u>	<u>\$ 1,604,084</u>	<u>\$ 17,353,683</u>	<u>\$ 9,013,557</u>
Pledged securities	\$ 4,133,337	\$ 820,176	\$ 9,501,899	\$ 8,445,620
Collateral requirement (50% of uninsured public funds)	2,012,548	802,042	8,676,842	4,506,779
Over (under) collateralization	<u>\$ 2,120,789</u>	<u>\$ 18,134</u>	<u>\$ 825,057</u>	<u>\$ 3,938,841</u>

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report. According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2009, \$31,996,419 of the City's bank balance of \$33,746,419 was exposed to custodial credit risk as follows:

	Carlsbad National Bank	Pioneer Savings Bank	Wells Fargo Bank	Western Commerce Bank	Total
Uninsured and collateral held by pledging banks' trust dept. or agent not in the City's name	<u>\$ 4,025,095</u>	<u>\$ 1,604,084</u>	<u>\$ 17,353,683</u>	<u>\$ 9,013,557</u>	<u>\$ 31,996,419</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

2. CASH AND INVESTMENTS (continued)

Investments

Investments at June 30, 2009 were as follows:

<u>Agency</u>	<u>Investment</u>	<u>Maturity</u>	<u>Fair Market Value</u>
NM State Treasurer	Investment Pool	N/A	\$ 94,253
Bank of Albuquerque, N.A.	U.S. Treasury Fund	N/A	362,959
Wells Fargo Bank, N.A.	U.S. Treasury Fund	N/A	<u>6,572,731</u>
			<u>\$ 7,029,943</u>

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

Statement of Net Assets:	
Restricted investments	<u>\$ 7,029,943</u>

Cash Deposited With The New Mexico State Treasurer

New Mexico State statutes authorize the creation of the local short-term investment fund in the New Mexico State Treasury. The statutes authorize the state treasurer to pool monies received from local public bodies for investment purposes with other public monies under his control. The purpose of the local short-term fund is to provide an investment alternative for local political subdivisions to realize the maximum return consistent with safe and prudent management.

As of June 30, 2009, the combined balance of the City's investment within the short-term investment fund was \$94,253. The cost basis and the fair market basis of the deposit are equal to \$94,253 (amount of investment).

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

Per section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the state treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

2. CASH AND INVESTMENTS (continued)

Cash Deposited With The New Mexico State Treasurer (continued)

Participation in the Local Government Investment Pool is voluntary. The average yield at June 30, 2009, was 2.85%.

Interest Rate Risk – Interest rate risk is the risk that interest rate variations may adversely affect an investment’s fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio’s weighted average maturity (WAM) is a key determinant of the tolerance of a fund’s investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The portfolio’s weighted average maturity is 43-day WAM.

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

Other Investments

As part of the note agreements and covenants, the City has cash invested, in the amount of \$3,114 at the Bank of Albuquerque, N.A., Trust Department, Albuquerque, New Mexico. Additionally, the City has invested \$359,845 for debt service with the same bank. The cash is invested in a U.S. Treasury Fund. The fund is composed of U.S. Treasury Notes and U.S. T-Bills. The market value at June 30, 2009, reflected by the trust department is \$362,959. The fund is not subject to categorization.

As part of a City ordinance, the City has idle cash invested, in the amount of \$6,572,731 at Wells Fargo Bank, N.A., Roswell, New Mexico. The fund is composed of U.S. Treasury Notes and U.S. T-Bills. The fund is not subject to categorization.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009 consisted of the following:

	Governmental Activities	Business-Type Activities
Charges for services	\$ 725,224	\$ 1,511,705
Allowance for doubtful accounts	(346,979)	(176,930)
	\$ 378,245	\$ 1,334,775

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

4. TAXES RECEIVABLE

Amounts due from local effort and state shared taxes at June 30, 2009, consisted of the following:

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

4. TAXES RECEIVABLE (continued)

	Governmental Activities	Business-Type Activities
Property taxes	\$ 155,276	\$ -
Local effort sales taxes	1,882,973	-
State shared taxes	2,521,418	70,690
Net taxes receivable	\$ 4,559,667	\$ 70,690

5. INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments at June 30, 2009, consisted of the following:

	Governmental Activities	Business-Type Activities
Federal grants	\$ 1,673,753	\$ -
State grants	3,059,577	-
Total	\$ 4,733,330	\$ -

6. PROPERTY TAX

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

The City is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the City. The City's total tax rate to finance general government services for the year 2008, was \$6.015 per \$1,000 for non-residential and \$6.225 for residential property. In the year 2008, there was no tax rate established for payment of bonds principal and interest.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

7. CAPITAL ASSETS

During the fiscal year, the City performed an intensive inventory and review of its capital assets and the subsidiary records. The City discovered errors in the amounts reported at June 30, 2008 within the business-type activities capital assets. The effect of the changes is as follows:

	Balance 06/30/08	Corrections	Restated Balance 06/30/08
Business-Type Capital Assets:			
Land	\$ 1,113,034	\$ (2,954)	\$ 1,110,080
Construction in progress	36,302	-	36,302
Buildings	2,177,817	-	2,177,817
Improvements	17,514,627	-	17,514,627
Utility system	34,919,319	(172,800)	34,746,519
Equipment	8,339,701	-	8,339,701
Accumulated depreciation:			
Buildings	(585,135)	(132,434)	(717,569)
Improvements	(7,124,683)	132,434	(6,992,249)
Utility system	(14,368,766)	-	(14,368,766)
Equipment	(6,214,949)	-	(6,214,949)
Net business-type capital assets	<u>\$ 35,807,267</u>	<u>\$ (175,754)</u>	<u>\$ 35,631,513</u>

Capital assets for the fiscal year ended June 30, 2009, are as follows:

	Balance 06/30/08	Increases	Decreases	Balance 06/30/09
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,918,081	\$ -	\$ (6,498)	\$ 1,911,583
Construction in progress	24,511	253,132	-	277,643
Total capital assets, not being depreciated	1,942,592	253,132	(6,498)	2,189,226
Other capital assets, being depreciated:				
Buildings	41,308,962	5,052,421	-	46,361,383
Improvements	36,438	5,244	-	41,682
Infrastructure	35,695,197	9,764,592	-	45,459,789
Equipment	11,575,065	1,387,010	(194,249)	12,767,826
Total other capital assets, being depreciated	88,615,662	16,209,267	(194,249)	104,630,680
Less accumulated depreciation:				
Buildings	(16,478,141)	(1,042,957)	-	(17,521,098)
Improvements	(1,592)	(1,553)	-	(3,145)
Infrastructure	(19,972,344)	(983,786)	-	(20,956,130)
Equipment	(8,444,781)	(908,596)	193,807	(9,159,570)
Total accumulated depreciation	(44,896,858)	(2,936,892)	193,807	(47,639,943)
Other capital assets, net	<u>43,718,804</u>	<u>13,272,375</u>	<u>(442)</u>	<u>56,990,737</u>
Total capital assets, net	<u>\$ 45,661,396</u>	<u>\$ 13,525,507</u>	<u>\$ (6,940)</u>	<u>\$ 59,179,963</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

7. CAPITAL ASSETS (continued)

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

General government	\$ 451,739
Public safety	725,215
Public works	1,013,231
Culture and recreation	637,326
Health and welfare	289
Economic development	109,092
	<u>\$ 2,936,892</u>

	Restated Balance 06/30/08	Increases	Decreases	Balance 06/30/09
Business-Type Activities:				
Land	\$ 1,110,080	\$ -	\$ -	\$ 1,110,080
Construction in progress	36,302	171,268	-	207,570
Total capital assets, not being depreciated	1,146,382	171,268	-	1,317,650
Other capital assets, being depreciated:				
Buildings	2,177,817	1,485	-	2,179,302
Improvements	17,514,627	-	-	17,514,627
Utility system	34,746,519	190,000	-	34,936,519
Equipment	8,339,701	369,656	(93,997)	8,615,360
Total other capital assets, being depreciated	62,778,664	561,141	(93,997)	63,245,808
Less accumulated depreciation for:				
Buildings	(717,569)	(69,706)	-	(787,275)
Improvements	(6,992,249)	(374,746)	-	(7,366,995)
Utility system	(14,368,766)	(728,423)	-	(15,097,189)
Equipment	(6,214,949)	(587,684)	76,211	(6,726,422)
Total accumulated depreciation	(28,293,533)	(1,760,559)	76,211	(29,977,881)
Other capital assets, net	34,485,131	(1,199,418)	(17,786)	33,267,927
Total capital assets, net	<u>\$ 35,631,513</u>	<u>\$ (1,028,150)</u>	<u>\$ (17,786)</u>	<u>\$ 34,585,577</u>

8. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2009, consisted of the following:

	Governmental Activities	Business-Type Activities
Gross receipts tax payable	<u>\$ -</u>	<u>\$ 51,129</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
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9. LONG-TERM OBLIGATIONS

Changes in governmental activities obligations during the year ended June 30, 2009, were as follows:

	Balance 06/30/08	Additions	Deletions	Balance 06/30/09	Due Within One Year
Governmental Activities:					
Notes payable	\$ 3,147,264	\$ -	\$ (416,768)	\$ 2,730,496	\$ 427,054
Bonds payable	2,810,000	-	(245,000)	2,565,000	255,000
Compensated absences	913,307	876,941	(801,090)	989,158	321,412
	<u>\$ 6,870,571</u>	<u>\$ 876,941</u>	<u>\$ (1,462,858)</u>	<u>\$ 6,284,654</u>	<u>\$ 1,003,466</u>

Notes Payable – Governmental Activities

On June 18, 2004, the City borrowed \$3,500,000 from the New Mexico Finance Authority. The note matures on January 1, 2014, and accrues interest at rates between .900% and 3.270% per annum. The proceeds of the loan were used to construct, purchase, furnish, and equip a youth sports complex. The payments of principal and interest are paid from pledged gross receipts tax revenues.

The annual requirements to amortize the loan outstanding as of June 30, 2009, including interest payments, are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2010	\$ 366,612	\$ 56,800	\$ 423,412
2011	376,608	47,745	424,353
2012	387,822	37,501	425,323
2013	400,224	26,099	426,323
2014	413,826	13,532	427,358
	<u>\$ 1,945,092</u>	<u>\$ 181,677</u>	<u>\$ 2,126,769</u>

On July 19, 2005, the City borrowed \$1,000,000 from the New Mexico Finance Authority. The note matures on May 1, 2021, and accrues interest at rates between 1.290% and 3.850% per annum. The proceeds of the loan were used for the acquisition of a fire pumper and an aerial (ladder) platform truck. The payments of principal and interest are paid from intercepts of the City's annual state fire allotment.

The annual requirements to amortize the loan outstanding as of June 30, 2009, including interest payments, are as follows:

Due in year ending June 30:

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

9. LONG-TERM OBLIGATIONS (continued)

	Principal	Interest	Total
2010	\$ 60,442	\$ 25,888	\$ 86,330
2011	62,108	24,377	86,485
2012	63,947	22,698	86,645
2013	65,977	20,833	86,810
2014	68,181	18,799	86,980
2015-2019	379,812	57,861	437,673
2020	84,937	3,202	88,139
	\$ 785,404	\$ 173,658	\$ 959,062

Bonds Payable – Governmental Activities

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

The annual requirements to amortize the bonds outstanding as of June 30, 2009, including interest payments, are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2010	\$ 255,000	\$ 113,344	\$ 368,344
2011	270,000	102,120	372,120
2012	255,000	90,705	345,705
2013	265,000	79,132	344,132
2014	275,000	66,776	341,776
2015-2018	1,245,000	124,282	1,369,282
	\$ 2,565,000	\$ 576,359	\$ 3,141,359

Compensated Absences

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

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

9. LONG-TERM OBLIGATIONS (continued)

Compensated Absences (continued)

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

Business-Type Activities

Changes in the business-type activities obligations during the year ended June 30, 2009, were as follows:

	Balance 06/30/08	Additions	Deletions	Balance 06/30/09	Amounts Due Within One Year
Notes payable	\$ 348,419	\$ 127,000	\$ (80,171)	\$ 395,248	\$ 60,244
Bonds payable	13,705,000	21,440,000	(13,855,000)	21,290,000	750,000
Landfill closure	2,762,022	479,235	-	3,241,257	-
Compensated absences	105,717	152,954	(145,388)	113,283	64,113
	<u>\$ 16,921,158</u>	<u>\$ 22,199,189</u>	<u>\$ (14,080,559)</u>	<u>\$ 25,039,788</u>	<u>\$ 874,357</u>

Notes Payable – Business-Type Activities

On November 19, 2004, the City borrowed \$549,565 from the New Mexico Finance Authority. The note matures on May 1, 2014, and accrues interest at rates between 1.260% and 3.670% per annum. The proceeds of the loan were used for the acquisition of four (4) solid waste vehicles. The payments of principal and interest are paid from net revenues from the City's solid waste activities.

The annual requirements to amortize the loan outstanding as of June 30, 2009, including interest payments, are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2010	\$ 55,085	\$ 9,775	\$ 64,860
2011	56,885	8,118	65,003
2012	58,841	6,308	65,149
2013	60,951	4,349	65,300
2014	63,216	2,242	65,458
	<u>\$ 294,978</u>	<u>\$ 30,792</u>	<u>\$ 325,770</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

9. LONG-TERM OBLIGATIONS (continued)

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

The annual requirements to amortize the loan outstanding as of June 30, 2009, including administrative fee payments, are as follows:

Due in year ending June 30:

	Principal	Fees	Total
2010	\$ 5,159	\$ 251	\$ 5,410
2011	5,172	238	5,410
2012	5,185	225	5,410
2013	5,198	212	5,410
2014	5,211	199	5,410
2015-2019	26,254	798	27,052
2020-2024	26,583	469	27,052
2025-2028	21,508	135	21,643
	\$ 100,270	\$ 2,527	\$ 102,797

Bonds Payable – Business-Type Activities

2009 Water and Sewer Refunding and Improvement Bonds

On March 12, 2009, the City issued bonds in the amount of \$21,440,000, which the City advance refunded \$13,705,000 of the outstanding series 1998 water and sewer revenue bonds with interest rates ranging between 4.00% and 4.75%. The City used the net proceeds, along with other resources, to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 1998 water and sewer bonds. As a result, that portion of the 1998 water and sewer bonds is considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$12,720,000 at June 30, 2009. The advance refunding increased total debt service payments over the next fifteen years by \$208,770. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$426,168.

The remaining portion of the bonds issued is for the purposes of the extension, enlargement, betterment, repair, and other improvements to the joint water and sewer system. The bond bears interest at rates between 3.00% through 5.00% per annum and matures on June 1, 2029. The payment of principal, premium, and interest thereon, whether at maturity or on a redemption date, are paid with income derived from the operation of the joint water and sewer system.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

9. LONG-TERM OBLIGATIONS (continued)

Bonds Payable – Business-Type Activities (continued)

The annual requirement to amortize the bonds outstanding as of June 30, 2009, including interest payments, is as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 750,000	\$ 870,606	\$ 1,620,606
2011	775,000	848,106	1,623,106
2012	800,000	824,856	1,624,856
2013	820,000	800,856	1,620,856
2014	845,000	776,256	1,621,256
2015-2019	4,650,000	3,461,632	8,111,632
2020-2024	5,620,000	2,490,425	8,110,425
2025-2029	7,030,000	1,078,113	8,108,113
	<u>\$ 21,290,000</u>	<u>\$ 11,150,850</u>	<u>\$ 32,440,850</u>

Landfill Closure and Post-Closure Costs

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

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

The total estimated liability for landfill closure costs is \$15,447,127 as of June 30, 2009, which is based cumulative capacity of 5,574,000 cubic gate years of air space to be used over its estimated life of twenty years. It is estimated that an additional \$2,269,500 of post-closure care costs will be recognized over thirty years after the landfill is closed.

The estimated total current cost of the landfill closure and post-closure care of \$17,716,627 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, 2009. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in state and federal landfill laws and regulations. The City is required by the state of New Mexico Environmental Regulation Board to demonstrate financial assurance for the post-closure costs.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

9. LONG-TERM OBLIGATIONS (continued)

Landfill Closure and Post-Closure Costs (continued)

The following calculation details the current amount recognized for landfill closure and post-closure care as of June 30, 2009:

Estimated landfill closure cost	\$ 15,447,127
Estimated landfill post-closure care cost	<u>2,269,500</u>
Total estimated closure and post-closure costs	<u><u>\$ 17,716,627</u></u>
FY08 capacity used to date:	\$ 1,737,728
FY09 tonnage received/capacity used:	<u>152,942</u>
FY09 capacity used to date:	<u><u>\$ 1,890,670</u></u>
Total capacity used to date (approximately 1,890,670 cubic gate yards) as a percentage of total capacity (5,574,000 cubic gate yards)	<u><u>33.92%</u></u>
Total estimated closure and post-closure costs	\$ 17,716,627
Total capacity used to date	<u>33.92%</u>
Estimated closure and post-closure care costs	<u><u>\$ 6,009,480</u></u>
Estimated closure and post-closure care costs	\$ 6,009,480
Prior liability recognized	<u>(5,051,010)</u>
Current year liability	<u><u>\$ 958,470</u></u>
City of Carlsbad's portion (50% of current year liability)	<u><u>\$ 479,235</u></u>
Prior year liability recognized	\$ 2,762,022
Current year liability	<u>479,235</u>
Estimated liability for the fiscal year ended June 30, 2009	<u><u>\$ 3,241,257</u></u>

10. TAXES

Local effort and state shared revenue as of June 30, 2009:

	General Fund	Total Non-Major Funds	Total Governmental Funds
Local effort taxes:			
Franchise taxes	\$ 790,078	\$ -	\$ 790,078
Lodgers' taxes	-	818,091	818,091
Property taxes	<u>1,898,517</u>	<u>-</u>	<u>1,898,517</u>
	<u><u>\$ 2,688,595</u></u>	<u><u>\$ 818,091</u></u>	<u><u>\$ 3,506,686</u></u>
State shared taxes:			
Cigarette taxes	\$ 54,328	\$ 27,265	\$ 81,593
Gasoline taxes	-	405,580	405,580
Gross receipts taxes	<u>21,627,858</u>	<u>1,783,906</u>	<u>23,411,764</u>
	<u><u>\$ 21,682,186</u></u>	<u><u>\$ 2,216,751</u></u>	<u><u>\$ 23,898,937</u></u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

11. INTERFUND BALANCES AND TRANSFERS

Interfund Balances

Receivable Fund	Payable Fund	Amount
Joint Water & Sewer Fund	State Legislative Fund	\$ 4,401,818

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

Interfund Transfers

	Transfer In					Total
	General Fund	State Legislative Fund	Solid Waste Fund	Joint Water and Sewer Fund	Non-Major Funds	
Transfer (out):						
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 7,437,281	\$ 7,437,281
State Legislative Fund	-	-	-	18,018	131,711	149,729
Solid Waste Fund	1,245,791	-	-	-	772,720	2,018,511
Joint Water and Sewer Fund	806,705	-	-	-	856,330	1,663,035
Non-Major Funds	925,181	90,000	199,744	140,557	160,162	1,515,644
	\$ 2,977,677	\$ 90,000	\$ 199,744	\$ 158,575	\$ 9,358,204	\$ 12,784,200

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend. Additionally, transfers are used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

12. RESTATEMENT OF NET ASSETS

During the fiscal year ended June 30, 2009, the City determined that changes to the beginning of year net assets and fund balances were necessary. A description and the effect of the changes are as follows:

	Government-Wide		
	Governmental Activities	Business-Type Activities	Individual Funds
WIPP Acceleration Impact Fund:			
The City discovered that expenses were incorrectly charged to the fund in the prior fiscal year.	\$ (9,822)	\$ -	\$ (9,822)
Federal Projects Fund:			
The City discovered that prior year expenses belonging to this fund were incorrectly charged to another fund.	9,822	-	\$ 9,822

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

12. RESTATEMENT OF NET ASSETS (continued)

	Government-Wide		Individual Funds
	Governmental Activities	Business-Type Activities	
Joint Water and Sewer Fund:			
Restated business activities capital assets balances due to errors in the subsidiary ledgers	\$ -	\$ (175,100)	<u>\$ (175,100)</u>
Municipal Transit Fund:			
Restated business activities capital assets balances due to errors in the subsidiary ledgers	-	(654)	<u>\$ (654)</u>
Total	<u>\$ -</u>	<u>\$ (175,754)</u>	

13. DEFICIT FUND BALANCE

The following funds had a deficit fund balance as of June 30, 2009:

Fund	Amount
State Legislative	\$ 1,438,139
WIPP Acceleration Impact	272,860
Emergency Medical Services	45

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

14. BUDGET RECONCILIATION

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

	General Fund
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule.	\$ 27,073,247
Differences - budget to GAAP:	
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	(365,069)

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
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14. BUDGET RECONCILIATION (continued)

	General Fund
Assets donated to the City are considered miscellaneous revenues for financial reporting. The donations did not provide an inflow of resources and therefore are not recorded for budgetary purposes.	170,000
Real estate taxes deferred in the previous year are recognized when considered available for financial reporting purposes. The real estate taxes are not recognized for budgetary purposes until received.	(3,911)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ 26,874,267
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 23,085,164
Differences - Budget to GAAP:	
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	164,355
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenses for financial reporting purposes.	110,753
The City purchased capital assets within the general fund and reflected such for budgetary purposes. The capital assets benefited other funds for financial reporting purposes, the City reclassified the expenditures as transfer to the other funds.	(1,485)
During the fiscal year, the City received donated assets. For financial reporting purposes, the City increased capital outlay by the donated value. For budgetary purposes, the City did not reflect the capital outlay as no cash was expended.	170,000
Total expenditures, as reported on the statement of revenues, expenditures, and changes in fund balances	\$ 23,528,787
Other Sources (Uses) of Resources:	
Actual amounts (budgetary basis) transfers in (out) from the budgetary comparison schedule.	\$ (4,458,119)
Differences - Budget to GAAP:	
The City purchased capital assets within the general fund and reflected the purchases as such for budgetary purposes. The capital assets benefited other funds and for financial reporting purposes, the City reclassified the expenditures as transfer to the other funds.	(1,485)
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ (4,459,604)

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15. RETIREMENT PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

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

Funding Policy

Plan members are required to contribute from 13.15% to 16.30% (ranges from 4.78% to 16.65% depending upon the plan – i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The City is required to contribute from 9.15% to 21.25% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the fiscal years ending June 30, 2009, 2008, and 2007 were \$1,779,608, \$1,697,770 and \$1,571,739, respectively, equal to the amount of the required contributions for each year.

16. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

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

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

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NOTES TO FINANCIAL STATEMENTS
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16. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (continued)

Plan Description (continued)

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

Funding Policy

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The City's contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were \$179,112, \$170,111 and \$160,915, respectively, which equal the required contributions for each year.

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

17. RELATED PARTY TRANSACTIONS

The City maintains deposit balances at a local bank where the Mayor is co-chairman of the board of directors. The deposit balances were \$4,525,095 as of June 30, 2009.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

17. RELATED PARTY TRANSACTIONS (continued)

The City has an additional three related party transactions, involving the mayor and/or a City councilor. For the fiscal year ended June 30, 2009, the totals of these additional related party transactions are immaterial in respect to the financial statements.

18. 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.

19. CONTINGENT LIABILITES

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

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

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

Special Revenue Funds										
	E-911 Fund	Home Program Fund	Fire Protection Fund	Recreation Fund	Lodger's Tax Fund	Airport Fund	Emergency Medical Services Fund	Local Government Corrections Fund	Special Police Program Fund	Law Enforcement Protection Fund
ASSETS										
Cash	\$ 2,554	\$ -	\$ -	\$ 37,801	\$ 630,916	\$ 433,960	\$ 60	\$ 27,873	\$ 9,855	\$ 1,965
Accounts receivable	-	-	-	-	76,225	-	-	8,923	-	-
Taxes receivable	-	-	-	866	-	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	-	-	-	-	-	-
Accrued interest receivable	-	-	-	-	6	-	-	-	-	-
Restricted:										
Investments	-	-	93,424	-	-	-	-	-	-	-
Total assets	\$ 2,554	\$ -	\$ 93,424	\$ 38,667	\$ 707,147	\$ 433,960	\$ 60	\$ 36,796	\$ 9,855	\$ 1,965
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ 1,785	\$ 2,676	\$ 37,137	\$ -	\$ 105	\$ 29,925	\$ -	\$ -
Accrued salaries	-	-	-	10,254	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	1,785	12,930	37,137	-	105	29,925	-	-
Fund Balances:										
Reserved:										
Debt service	-	-	91,639	-	-	-	-	-	-	-
Subsequent year's expenditures	2,554	-	-	9,209	114,124	-	-	6,871	-	1,965
Unreserved	-	-	-	16,528	555,886	433,960	(45)	-	9,855	-
Total fund balances	2,554	-	91,639	25,737	670,010	433,960	(45)	6,871	9,855	1,965
Total liabilities and fund balances	\$ 2,554	\$ -	\$ 93,424	\$ 38,667	\$ 707,147	\$ 433,960	\$ 60	\$ 36,796	\$ 9,855	\$ 1,965

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

	Special Revenue Funds				Capital Project Funds				
	RSVP Program Total	Sports Complex Fund	WIPP Acceleration Impact Fund	Community Development Fund	Total Special Revenue Funds	Park Improvement Fund	Sewer System Improvement Fund	Water System Improvement Fund	Street System Improvement Fund
ASSETS									
Cash	\$ 6,515	\$ 350,048	\$ 52,558	\$ -	\$ 1,554,105	\$ 82,906	\$ 567,046	\$ 797,361	\$ 1,622
Accounts receivable	-	-	-	-	85,148	-	-	-	-
Taxes receivable	-	-	-	-	866	-	-	-	592,543
Intergovernmental receivable	6,000	-	-	32,500	38,500	-	-	-	-
Accrued interest receivable	-	-	-	-	6	-	-	-	-
Restricted:									
Investments	-	20	-	-	93,444	-	-	-	-
Total assets	<u>\$ 12,515</u>	<u>\$ 350,068</u>	<u>\$ 52,558</u>	<u>\$ 32,500</u>	<u>\$ 1,772,069</u>	<u>\$ 82,906</u>	<u>\$ 567,046</u>	<u>\$ 797,361</u>	<u>\$ 594,165</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 335	\$ 115,596	\$ 325,418	\$ -	\$ 512,977	\$ -	\$ -	\$ 7,014	\$ 29,667
Accrued salaries	1,460	-	-	-	11,714	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-	-	-
Total liabilities	1,795	115,596	325,418	-	524,691	-	-	7,014	29,667
Fund Balances:									
Reserved:									
Debt service	-	-	-	-	91,639	-	-	-	-
Subsequent year's expenditures	3,992	-	-	-	138,715	-	-	-	-
Unreserved	6,728	234,472	(272,860)	32,500	1,017,024	82,906	567,046	790,347	564,498
Total fund balances	<u>10,720</u>	<u>234,472</u>	<u>(272,860)</u>	<u>32,500</u>	<u>1,247,378</u>	<u>82,906</u>	<u>567,046</u>	<u>790,347</u>	<u>564,498</u>
Total liabilities and fund balances	<u>\$ 12,515</u>	<u>\$ 350,068</u>	<u>\$ 52,558</u>	<u>\$ 32,500</u>	<u>\$ 1,772,069</u>	<u>\$ 82,906</u>	<u>\$ 567,046</u>	<u>\$ 797,361</u>	<u>\$ 594,165</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	Capital Project Funds					Debt Service Fund		
	CIEP Fund	Old Landfill Closure Fund	Sandpoint Landfill Fund	Federal Project Funds	GRT Capital Outlay Fund	Total Capital Project Funds	Sports Complex Fund	2002 Sales Tax Bonds Fund
<u>ASSETS</u>								
Cash	\$ 811,990	\$ 80,730	\$ 65,684	\$ 1,293	\$ 539,662	\$ 2,948,294	\$ 1,469,901	\$ 18,744
Accounts receivable	-	-	-	-	-	-	-	-
Taxes receivable	-	-	-	-	266,598	859,141	141,187	-
Intergovernmental receivable	-	-	-	1,636,263	-	1,636,263	-	-
Accrued interest receivable	-	-	84	-	-	84	-	-
Restricted:								
Investments	-	-	-	-	-	-	304,859	-
Total assets	<u>\$ 811,990</u>	<u>\$ 80,730</u>	<u>\$ 65,768</u>	<u>\$ 1,637,556</u>	<u>\$ 806,260</u>	<u>\$ 5,443,782</u>	<u>\$ 1,915,947</u>	<u>\$ 18,744</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$ 2,083	\$ 12,428	\$ 771	\$ 98,744	\$ -	\$ 150,707	\$ 5,210	\$ -
Accrued salaries	-	-	-	-	-	-	5,016	-
Accrued interest payable	-	-	-	-	-	-	28,400	-
Total liabilities	2,083	12,428	771	98,744	-	150,707	38,626	-
Fund Balances:								
Reserved:								
Debt service	-	-	-	-	-	-	304,859	18,744
Subsequent year's expenditures	-	-	-	-	-	-	-	-
Unreserved	809,907	68,302	64,997	1,538,812	806,260	5,293,075	1,572,462	-
Total fund balances	809,907	68,302	64,997	1,538,812	806,260	5,293,075	1,877,321	18,744
Total liabilities and fund balances	<u>\$ 811,990</u>	<u>\$ 80,730</u>	<u>\$ 65,768</u>	<u>\$ 1,637,556</u>	<u>\$ 806,260</u>	<u>\$ 5,443,782</u>	<u>\$ 1,915,947</u>	<u>\$ 18,744</u>

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

	Total Debt Service Funds	Total Non-Major Funds
<u>ASSETS</u>		
Cash	\$ 1,488,645	\$ 5,991,044
Accounts receivable	-	85,148
Taxes receivable	141,187	1,001,194
Intergovernmental receivable	-	1,674,763
Accrued interest receivable	-	90
Restricted:		
Investments	304,859	398,303
Total assets	\$ 1,934,691	\$ 9,150,542
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 5,210	\$ 668,894
Accrued salaries	5,016	16,730
Accrued interest payable	28,400	28,400
Total liabilities	38,626	714,024
Fund Balances:		
Reserved:		
Debt service	323,603	415,242
Subsequent year's expenditures	-	138,715
Unreserved	1,572,462	7,882,561
Total fund balance	1,896,065	8,436,518
Total liabilities and fund balances	\$ 1,934,691	\$ 9,150,542

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Special Revenue Funds									
	E-911 Fund	Home Program Fund	Fire Protection Fund	Recreation Fund	Lodger's Tax Fund	Airport Fund	Emergency Medical Services Fund	Local Government Corrections Fund	Special Police Program Fund	Law Enforcement Protection Fund
Revenues:										
Local effort taxes	\$ -	\$ -	\$ -	\$ -	\$ 818,091	\$ -	\$ -	\$ -	\$ -	\$ -
State shared taxes	-	-	-	27,265	-	-	-	-	-	-
Intergovernmental	-	-	292,800	-	-	192,226	26,676	-	-	59,400
Charges for services	-	-	-	15,464	-	7,195	-	127,272	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Interest	-	-	1,375	-	308	-	-	-	-	-
Miscellaneous	-	-	-	-	-	89,910	-	-	1,230	-
Total revenues	-	-	294,175	42,729	818,399	289,331	26,676	127,272	1,230	59,400
Expenditures:										
Current:										
General government	-	-	-	-	-	-	-	-	-	-
Public safety	2,298	-	217,514	-	-	-	26,721	272,329	2,663	27,236
Public works	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	293,002	449,442	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	63,187	-	-	-	-
Debt service:										
Principal	-	-	58,980	-	-	-	-	-	-	-
Interest	-	-	29,311	-	-	-	-	-	-	-
Total expenditures	2,298	-	305,805	293,002	449,442	63,187	26,721	272,329	2,663	27,236
Excess (deficiency) of revenues over expenditures	(2,298)	-	(11,630)	(250,273)	368,957	226,144	(45)	(145,057)	(1,433)	32,164
Other Financing Sources (Uses):										
Transfers in	-	-	-	243,538	-	300,000	-	75,000	-	-
Transfers (out)	-	(21,530)	(5,242)	(705)	(100,000)	-	-	-	-	(31,744)
Total other financing sources (uses)	-	(21,530)	(5,242)	242,833	(100,000)	300,000	-	75,000	-	(31,744)
Net change in fund balances	(2,298)	(21,530)	(16,872)	(7,440)	268,957	526,144	(45)	(70,057)	(1,433)	420
Fund balances, beginning of year	4,852	21,530	108,511	33,177	401,053	(92,184)	-	76,928	11,288	1,545
Restatements	-	-	-	-	-	-	-	-	-	-
Fund balance, beginning of year restated	4,852	21,530	108,511	33,177	401,053	(92,184)	-	76,928	11,288	1,545
Fund balances, end of year	\$ 2,554	\$ -	\$ 91,639	\$ 25,737	\$ 670,010	\$ 433,960	\$ (45)	\$ 6,871	\$ 9,855	\$ 1,965

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Special Revenue Funds				Capital Project Funds				
	RSVP Program Total	Sports Complex Fund	WIPP Acceleration Impact Fund	Community Development Fund	Total Special Revenue Funds	Park Improvement Fund	Sewer System Improvement Fund	Water System Improvement Fund	Street System Improvement Fund
Revenues:									
Local effort taxes	\$ -	\$ -	\$ -	\$ -	\$ 818,091	\$ -	\$ -	\$ -	\$ -
State shared taxes	-	-	-	-	27,265	27,792	-	-	405,580
Intergovernmental	58,686	-	3,038,000	282,500	3,950,288	-	-	-	580,450
Charges for services	-	-	-	-	149,931	5,425	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	66,568
Interest	-	6,276	-	-	7,959	502	-	502	502
Miscellaneous	-	-	-	-	91,140	-	-	-	116,976
Total revenues	58,686	6,276	3,038,000	282,500	5,044,674	33,719	-	502	1,170,076
Expenditures:									
Current:									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	548,761	-	-	-	-
Public works	-	-	-	-	-	-	83,477	50,732	447,574
Culture and recreation	-	19,112	-	-	761,556	25,075	-	-	-
Health and welfare	52,166	-	-	-	52,166	-	-	-	-
Economic development	-	-	401,319	35,000	436,319	-	-	-	-
Capital outlay	-	259,059	3,302,299	250,000	3,874,545	5,000	-	12,413	3,023,091
Debt service:									
Principal	-	-	-	-	58,980	-	-	-	-
Interest	-	-	-	-	29,311	-	-	-	-
Total expenditures	52,166	278,171	3,703,618	285,000	5,761,638	30,075	83,477	63,145	3,470,665
Excess (deficiency) of revenues over expenditures	6,520	(271,895)	(665,618)	(2,500)	(716,964)	3,644	(83,477)	(62,643)	(2,300,589)
Other Financing Sources (Uses):									
Transfers in	-	-	440,000	35,000	1,093,538	-	392,519	320,000	2,833,861
Transfers (out)	-	-	-	-	(159,221)	-	-	(5,772)	(4,800)
Total other financing sources (uses)	-	-	440,000	35,000	934,317	-	392,519	314,228	2,829,061
Net change in fund balances	6,520	(271,895)	(225,618)	32,500	217,353	3,644	309,042	251,585	528,472
Fund balances, beginning of year	4,200	506,367	(57,064)	-	1,020,203	79,262	258,004	538,762	36,026
Restatements	-	-	9,822	-	9,822	-	-	-	-
Fund balance, beginning of year restated	4,200	506,367	(47,242)	-	1,030,025	79,262	258,004	538,762	36,026
Fund balances, end of year	\$ 10,720	\$ 234,472	\$ (272,860)	\$ 32,500	\$ 1,247,378	\$ 82,906	\$ 567,046	\$ 790,347	\$ 564,498

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Capital Project Funds					Debt Service Funds		
	CIEP Fund	Old Landfill Closure Fund	Sandpoint Landfill Fund	Federal Projects Fund	GRT Capital Outlay Fund	Total Capital Projects Fund	Sports Complex Fund	2002 Sales Tax Bonds Fund
Revenues:								
Local effort taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State shared taxes	-	-	-	-	806,260	1,239,632	977,646	-
Intergovernmental	67,270	-	-	1,908,512	-	2,556,232	-	-
Charges for services	-	-	-	-	-	5,425	-	-
Licenses and permits	-	-	-	-	-	66,568	-	-
Interest	-	-	84	-	-	1,590	3,765	-
Miscellaneous	249,730	-	-	-	-	366,706	20,800	-
Total revenues	317,000	-	84	1,908,512	806,260	4,236,153	1,002,211	-
Expenditures:								
Liabilities:								
General government	-	-	-	-	-	-	122,990	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	36,255	52,235	-	-	670,273	-	-
Culture and recreation	-	-	-	-	-	25,075	117,218	-
Health and welfare	-	-	-	-	-	-	-	-
Economic development	328,711	-	-	-	-	328,711	-	-
Capital outlay	156,278	-	-	2,127,317	-	5,324,099	19,375	-
Debt service:								
Principal	-	-	-	-	-	-	357,788	245,000
Interest	-	-	-	-	-	-	66,510	123,662
Total expenditures	484,989	36,255	52,235	2,127,317	-	6,348,158	683,881	368,662
Excess (deficiency) of revenues over expenditures	(167,989)	(36,255)	(52,151)	(218,805)	806,260	(2,112,005)	318,330	(368,662)
Other Financing Sources (Uses):								
Transfers in	500,000	54,329	113,835	396,920	-	4,611,464	8,989	368,663
Transfers (out)	(200,000)	-	-	-	-	(210,572)	-	-
Total other financing sources (uses)	300,000	54,329	113,835	396,920	-	4,400,892	8,989	368,663
Net change in fund balances	132,011	18,074	61,684	178,115	806,260	2,288,887	327,319	1
Fund balances, beginning of year	677,896	50,228	3,313	1,370,519	-	3,014,010	1,550,002	18,743
Restatements	-	-	-	(9,822)	-	(9,822)	-	-
Fund balance, beginning of year restated	677,896	50,228	3,313	1,360,697	-	3,004,188	1,550,002	18,743
Fund balances, end of year	<u>\$ 809,907</u>	<u>\$ 68,302</u>	<u>\$ 64,997</u>	<u>\$ 1,538,812</u>	<u>\$ 806,260</u>	<u>\$ 5,293,075</u>	<u>\$ 1,877,321</u>	<u>\$ 18,744</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Total Debt Service Funds	Total Non-Major Funds
Revenues:		
Local effort taxes	\$ -	\$ 818,091
State shared taxes	977,646	2,244,543
Intergovernmental	-	6,506,520
Charges for services	-	155,356
Licenses and permits	-	66,568
Interest	3,765	13,314
Miscellaneous	20,800	478,646
	1,002,211	10,283,038
Total revenues		
Expenditures:		
Current:		
General government	122,990	122,990
Public safety	-	548,761
Public works	-	670,273
Culture and recreation	117,218	903,849
Health and welfare	-	52,166
Economic development	-	765,030
Capital outlay	19,375	9,218,019
Debt service:		
Principal	602,788	661,768
Interest	190,172	219,483
	1,052,543	13,162,339
Total expenditures		
Excess (deficiency) of revenues over expenditures	(50,332)	(2,879,301)
Other Financing Sources (Uses):		
Transfer in	377,652	6,082,654
Transfer (out)	-	(369,793)
	377,652	5,712,861
Total other financing sources (uses)		
Net change in fund balance	327,320	2,833,560
Fund balance, beginning of year	1,568,745	5,602,958
Restatements	-	-
Fund balance, beginning of year restated	1,568,745	5,602,958
Fund balance, end of year	\$ 1,896,065	\$ 8,436,518

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
E-911 GRANT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 12,680	\$ 12,680	\$ -	\$ (12,680)
Expenditures:				
Current:				
Public safety	<u>12,680</u>	<u>12,680</u>	<u>2,298</u>	<u>10,382</u>
Net change in cash balance	-	-	(2,298)	(2,298)
Cash balance, beginning of year	<u>4,852</u>	<u>4,852</u>	<u>4,852</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 4,852</u></u>	<u><u>\$ 4,852</u></u>	<u><u>\$ 2,554</u></u>	<u><u>\$ (2,298)</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
HOME PROGRAM SERVICES SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ -	\$ 9,410	\$ 9,410	\$ -
Expenditures:				
Current:				
Health and welfare	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	9,410	9,410	-
Other Financing Sources (Uses):				
Transfer (out)	(12,120)	(21,530)	(21,530)	-
Net change in cash balance	(12,120)	(12,120)	(12,120)	-
Cash balance, beginning of year	12,120	12,120	12,120	-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
FIRE PROTECTION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 292,800	\$ 292,800	\$ 292,800	\$ -
Interest	-	-	1,375	1,375
Total revenue	292,800	292,800	294,175	1,375
Expenditures:				
Current:				
Public safety	222,246	230,276	202,666	27,610
Capital outlay	77,600	69,570	19,569	50,001
Debt service:				
Interest	88,292	88,292	88,291	1
Total expenditures	388,138	388,138	310,526	77,612
Excess (deficiency) of revenues over expenditures	(95,338)	(95,338)	(16,351)	78,987
Other Financing Sources (Uses):				
Transfer (out)	(5,242)	(5,242)	(5,242)	-
Net change in cash balance	(100,580)	(100,580)	(21,593)	78,987
Cash balance, beginning of year	19,971	19,971	19,971	-
Investments converted to cash	-	-	1,622	1,622
Cash advanced from general fund	80,609	80,609	-	(80,609)
Cash balance, end of year	\$ -	\$ -	\$ -	\$ -

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECREATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 19,503	\$ 19,503	\$ 29,158	\$ 9,655
Intergovernmental	-	167,000	-	(167,000)
Charges for services	16,900	16,900	15,164	(1,736)
Total revenues	36,403	203,403	44,322	(159,081)
Expenditures:				
Current:				
Culture and recreation	296,921	303,126	285,133	17,993
Capital outlay	5,000	170,477	3,476	167,001
Total expenditures	301,921	473,603	288,609	184,994
Excess (deficiency) of revenues over expenditures	(265,518)	(270,200)	(244,287)	25,913
Other Financing Sources (Uses):				
Transfer in	238,856	243,538	243,538	-
Transfer (out)	(705)	(705)	(705)	-
Total other financing sources (uses)	238,151	242,833	242,833	-
Net change in cash balance	(27,367)	(27,367)	(1,454)	25,913
Cash balance, beginning of year	39,255	39,255	39,255	-
Cash balance, end of year	\$ 11,888	\$ 11,888	\$ 37,801	\$ 25,913

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
LODGER'S TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 625,000	\$ 625,000	\$ 816,367	\$ 191,367
Interest	-	-	523	523
Total revenues	625,000	625,000	816,890	191,890
Expenditures:				
Current:				
Culture and recreation	534,000	535,000	445,142	89,858
Excess (deficiency) of revenues over expenditures	91,000	90,000	371,748	281,748
Other Financing Sources (Uses):				
Transfer (out)	(100,000)	(100,000)	(100,000)	-
Net change in cash balance	(9,000)	(10,000)	271,748	281,748
Cash balance, beginning of year	359,168	359,168	359,168	-
Cash balance, end of year	<u>\$ 350,168</u>	<u>\$ 349,168</u>	<u>\$ 630,916</u>	<u>\$ 281,748</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
AIRPORT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 836,995	\$ 836,995	\$ 192,226	\$ (644,769)
Charges for services	9,013	9,013	7,195	(1,818)
Miscellaneous	-	-	89,910	89,910
Total revenues	<u>846,008</u>	<u>846,008</u>	<u>289,331</u>	<u>(556,677)</u>
Expenditures:				
Current:				
Public works	22,859	22,859	12,056	10,803
Capital outlay	<u>995,208</u>	<u>995,208</u>	<u>68,559</u>	<u>926,649</u>
Total expenditures	<u>1,018,067</u>	<u>1,018,067</u>	<u>80,615</u>	<u>937,452</u>
Excess (deficiency) of revenues over expenditures	(172,059)	(172,059)	208,716	380,775
Other Financing Sources (Uses):				
Transfer in	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Net change in cash balance	127,941	127,941	508,716	380,775
Cash balance, beginning of year	-	-	-	-
Cash repaid to general fund	<u>-</u>	<u>-</u>	<u>(74,756)</u>	<u>(74,756)</u>
Cash balance, end of year	<u>\$ 127,941</u>	<u>\$ 127,941</u>	<u>\$ 433,960</u>	<u>\$ 306,019</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
EMERGENCY MEDICAL SERVICES SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 27,988	\$ 26,676	\$ 26,676	\$ -
Expenditures:				
Current:				
Public safety	22,000	21,008	20,948	60
Capital outlay	5,988	5,668	5,668	-
Total expenditures	27,988	26,676	26,616	60
Net change in cash balance	-	-	60	60
Cash balance, beginning of year	-	-	-	-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 60</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
LOCAL GOVERNMENT CORRECTION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Charges for services	\$ 130,000	\$ 130,000	\$ 118,349	\$ (11,651)
Expenditures:				
Current:				
Public safety	<u>300,000</u>	<u>300,000</u>	<u>266,704</u>	<u>33,296</u>
Excess (deficiency) of revenues over expenditures	(170,000)	(170,000)	(148,355)	21,645
Other Financing Sources (Uses):				
Transfer in	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Net change in cash balance	(95,000)	(95,000)	(73,355)	21,645
Cash balance, beginning of year	<u>101,228</u>	<u>101,228</u>	<u>101,228</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 6,228</u></u>	<u><u>\$ 6,228</u></u>	<u><u>\$ 27,873</u></u>	<u><u>\$ 21,645</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SPECIAL POLICE PROGRAM SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Miscellaenous	\$ -	\$ -	\$ 1,230	\$ 1,230
Expenditures:				
Current:				
Public safety	<u>10,642</u>	<u>10,642</u>	<u>2,663</u>	<u>7,979</u>
Net change in cash balance	(10,642)	(10,642)	(1,433)	9,209
Cash balance, beginning of year	<u>11,288</u>	<u>11,288</u>	<u>11,288</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 646</u></u>	<u><u>\$ 646</u></u>	<u><u>\$ 9,855</u></u>	<u><u>\$ 9,209</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
LAW ENFORCEMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 59,600	\$ 59,600	\$ 59,400	\$ (200)
Expenditures:				
Current:				
Public safety	26,545	20,749	21,665	(916)
Capital outlay	<u>2,856</u>	<u>8,652</u>	<u>5,571</u>	<u>3,081</u>
Total expenditures	<u>29,401</u>	<u>29,401</u>	<u>27,236</u>	<u>2,165</u>
Excess (deficiency) of revenues over expenditures	30,199	30,199	32,164	1,965
Other Financing Sources (Uses):				
Transfer (out)	<u>(31,744)</u>	<u>(31,744)</u>	<u>(31,744)</u>	<u>-</u>
Net change in cash balance	(1,545)	(1,545)	420	1,965
Cash balance, beginning of year	<u>1,545</u>	<u>1,545</u>	<u>1,545</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,965</u></u>	<u><u>\$ 1,965</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
 RETIRED SENIOR VOLUNTEER PROGRAM SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 52,686	\$ 52,686	\$ 52,919	\$ 233
Expenditures:				
Current:				
Public safety	<u>54,488</u>	<u>54,596</u>	<u>53,180</u>	<u>1,416</u>
Net change in cash balance	(1,802)	(1,910)	(261)	1,649
Cash balance, beginning of year	<u>6,776</u>	<u>6,776</u>	<u>6,776</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 4,974</u></u>	<u><u>\$ 4,866</u></u>	<u><u>\$ 6,515</u></u>	<u><u>\$ 1,649</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SPORTS COMPLEX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Interest	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Culture and recreation	39,231	39,231	19,124	20,107
Capital outlay	<u>67,630</u>	<u>369,900</u>	<u>143,486</u>	<u>226,414</u>
Total expenditures	<u>106,861</u>	<u>409,131</u>	<u>162,610</u>	<u>246,521</u>
Excess (deficiency) of revenues over expenditures	(106,861)	(409,131)	(162,610)	246,521
Other Financing Sources (Uses):				
Loan proceeds	<u>894,592</u>	<u>1,196,862</u>	<u>1,196,861</u>	<u>(1)</u>
Net change in cash balance	787,731	787,731	1,034,251	246,520
Cash balance, beginning of year	-	-	-	-
Cash repaid to general fund	<u>-</u>	<u>-</u>	<u>(684,203)</u>	<u>(684,203)</u>
Cash balance, end of year	<u>\$ 787,731</u>	<u>\$ 787,731</u>	<u>\$ 350,048</u>	<u>\$ (437,683)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
WIPP ACCELERATION IMPACT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 4,210,127	\$ 6,710,127	\$ 3,038,000	\$ (3,672,127)
Expenditures:				
Current:				
Economic development	1,565,954	1,565,954	1,012,085	553,869
Capital outlay	<u>3,212,942</u>	<u>5,712,942</u>	<u>2,982,126</u>	<u>2,730,816</u>
Total expenditures	<u>4,778,896</u>	<u>7,278,896</u>	<u>3,994,211</u>	<u>3,284,685</u>
Excess (deficiency) of revenues over expenditures	(568,769)	(568,769)	(956,211)	(387,442)
Other Financing Sources (Uses):				
Transfer in	<u>-</u>	<u>440,000</u>	<u>440,000</u>	<u>-</u>
Net change in cash balance	(568,769)	(128,769)	(516,211)	(387,442)
Cash balance, beginning of year	<u>568,769</u>	<u>568,769</u>	<u>568,769</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ 440,000</u></u>	<u><u>\$ 52,558</u></u>	<u><u>\$ (387,442)</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 250,000	\$ 282,500	\$ 250,000	\$ (32,500)
Expenditures:				
Current:				
Economic development	2,300	37,300	35,000	2,300
Capital outlay	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total expenditures	<u>252,300</u>	<u>287,300</u>	<u>285,000</u>	<u>2,300</u>
Excess (deficiency) of revenues over expenditures	(2,300)	(4,800)	(35,000)	(30,200)
Other Financing Sources (Uses):				
Transfer in	<u>2,300</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Net change in cash balance	-	30,200	-	(30,200)
Cash balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ 30,200</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (30,200)</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>E-911 Grant Fund</u>	<u>Home Program Fund</u>	<u>Fire Protection Fund</u>	<u>Recreation Fund</u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ -	\$ 9,410	\$ 294,175	\$ 44,322
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>-</u>	<u>(9,410)</u>	<u>-</u>	<u>(1,593)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294,175</u>	<u>\$ 42,729</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 2,298	\$ -	\$ 310,526	\$ 288,609
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	-	-	(4,721)	187
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,206</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 2,298</u>	<u>\$ -</u>	<u>\$ 305,805</u>	<u>\$ 293,002</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ -	\$ (21,530)	\$ (5,242)	\$ 242,833
Differences - Budget to GAAP:				
None.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ -</u>	<u>\$ (21,530)</u>	<u>\$ (5,242)</u>	<u>\$ 242,833</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Lodger's Tax Fund	Airport Fund	Emergency Medical Services Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 816,890	\$ 289,331	\$ 26,676
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>1,509</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 818,399</u>	<u>\$ 289,331</u>	<u>\$ 26,676</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 445,142	\$ 80,615	\$ 26,616
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	4,300	(17,428)	105
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 449,442</u>	<u>\$ 63,187</u>	<u>\$ 26,721</u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ (100,000)	\$ 300,000	\$ -
Differences - Budget to GAAP:			
None.	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and balances - special revenue funds	<u>\$ (100,000)</u>	<u>\$ 300,000</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Local Government Corrections Fund	Special Police Program Fund	Law Enforcement Protection Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 118,349	\$ 1,230	\$ 59,400
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>8,923</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 127,272</u>	<u>\$ 1,230</u>	<u>\$ 59,400</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 266,704	\$ 2,663	\$ 27,236
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	5,625	-	-
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 272,329</u>	<u>\$ 2,663</u>	<u>\$ 27,236</u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 75,000	\$ -	\$ (31,744)
Differences - Budget to GAAP:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and balances - special revenue funds	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ (31,744)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	RSVP Fund	Sports Complex Fund	WIPP Acceleration Impact Fund	Community Development Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 52,919	\$ -	\$ 3,038,000	\$ 250,000
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>5,767</u>	<u>6,276</u>	<u>-</u>	<u>32,500</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds.	<u>\$ 58,686</u>	<u>\$ 6,276</u>	<u>\$ 3,038,000</u>	<u>\$ 282,500</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 53,180	\$ 162,610	\$ 3,994,211	\$ 285,000
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	(1,215)	115,561	(290,593)	-
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>201</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds.	<u>\$ 52,166</u>	<u>\$ 278,171</u>	<u>\$ 3,703,618</u>	<u>\$ 285,000</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ -	\$ 1,196,861	\$ 440,000	\$ 35,000
Differences - Budget to GAAP:				
During the fiscal year, the City transferred loan proceeds held by the fiscal agent to the sports complex special revenue fund. For budgetary basis, the City recognizes loan proceeds as other financing sources. For financial reporting purposes, the City has recognized the loan proceeds in the 2004 fiscal year.	<u>-</u>	<u>(1,196,861)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and balances - special revenue funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 440,000</u>	<u>\$ 35,000</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATE LEGISLATIVE CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 11,762,565	\$ 12,302,165	\$ 2,904,342	\$ (9,397,823)
Miscellaneous	202	202	-	(202)
Total revenue	11,762,767	12,302,367	2,904,342	(9,398,025)
Expenditures:				
Capital outlay	11,106,995	11,736,595	6,740,359	4,996,236
Excess (deficiency) of revenues over expenditures	655,772	565,772	(3,836,017)	(4,401,789)
Other Financing Sources (Uses):				
Transfer in	-	90,000	90,000	-
Net change in cash balance	655,772	655,772	(3,746,017)	(4,401,789)
Cash balance, beginning of year	-	-	-	-
Cash repaid to general fund	-	-	(655,801)	(655,801)
Cash advanced from joint water and sewer fund	-	-	4,401,818	4,401,818
Cash balance, end of year	<u>\$ 655,772</u>	<u>\$ 655,772</u>	<u>\$ -</u>	<u>\$ (655,772)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NATIONAL CAVE-KARST INSTITUTE CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 306,900	\$ 450,900	\$ 450,900	\$ -
Expenditures:				
Capital outlay	1,956,900	2,100,900	339,690	1,761,210
Net change in cash balance	(1,650,000)	(1,650,000)	111,210	1,761,210
Cash balance, beginning of year	1,650,000	1,650,000	1,650,000	-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,761,210</u>	<u>\$ 1,761,210</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
PARK IMPROVEMENT CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 33,995	\$ 33,995	\$ 27,792	\$ (6,203)
Charges for services	4,000	4,000	5,400	1,400
Miscellaneous	-	-	502	502
Total revenue	37,995	37,995	33,694	(4,301)
Expenditures:				
Current:				
Culture and recreation	28,800	30,300	30,075	225
Capital outlay	5,000	5,000	-	5,000
Total expenditures	33,800	35,300	30,075	5,225
Net change in cash balance	4,195	2,695	3,619	924
Cash balance, beginning of year	79,287	79,287	79,287	-
Cash balance, end of year	<u>\$ 83,482</u>	<u>\$ 81,982</u>	<u>\$ 82,906</u>	<u>\$ 924</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SEWER SYSTEM IMPROVEMENT CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Public works	<u>332,982</u>	<u>332,982</u>	<u>105,979</u>	<u>227,003</u>
Excess (deficiency) of revenues over expenditures	(332,982)	(332,982)	(105,979)	227,003
Other Financing Sources (Uses):				
Transfers in	<u>392,519</u>	<u>392,519</u>	<u>392,519</u>	<u>-</u>
Net change in cash balance	59,537	59,537	286,540	227,003
Cash balance, beginning of year	<u>280,506</u>	<u>280,506</u>	<u>280,506</u>	<u>-</u>
Cash balance, end of year	<u>\$ 340,043</u>	<u>\$ 340,043</u>	<u>\$ 567,046</u>	<u>\$ 227,003</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
WATER SYSTEM IMPROVEMENT CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	\$ -	\$ -	\$ 502	\$ 502
Expenditures:				
Current:				
Public works	335,996	335,996	48,647	287,349
Capital outlay	<u>216,216</u>	<u>216,216</u>	<u>19,783</u>	<u>196,433</u>
Total expenditures	<u>552,212</u>	<u>552,212</u>	<u>68,430</u>	<u>483,782</u>
Excess (deficiency) of revenues over expenditures	(552,212)	(552,212)	(67,928)	484,284
Other Financing Sources (Uses):				
Transfers in	<u>320,000</u>	<u>320,000</u>	<u>320,000</u>	<u>-</u>
Net change in cash balance	(232,212)	(232,212)	252,072	484,284
Cash balance, beginning of year	<u>545,289</u>	<u>545,289</u>	<u>545,289</u>	<u>-</u>
Cash balance, end of year	<u>\$ 313,077</u>	<u>\$ 313,077</u>	<u>\$ 797,361</u>	<u>\$ 484,284</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
STREET SYSTEM IMPROVEMENT CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 407,000	\$ 407,000	\$ 407,361	\$ 361
Intergovernmental	1,092,372	1,208,754	22,035	(1,186,719)
Licenses and permits	64,000	64,000	66,568	2,568
Miscellaneous	-	-	279	279
Interest	-	-	502	502
Total revenues	1,563,372	1,679,754	496,745	(1,183,009)
Expenditures:				
Current:				
Public works	527,300	560,200	550,369	9,831
Capital outlay	3,421,937	3,665,604	2,818,570	847,034
Total expenditures	3,949,237	4,225,804	3,368,939	856,865
Excess (deficiency) of revenues over expenditures	(2,385,865)	(2,546,050)	(2,872,194)	(326,144)
Other Financing Sources (Uses):				
Transfers in	2,324,370	2,746,037	2,746,037	-
Transfers (out)	(2,300)	(4,800)	(4,800)	-
Total other financing sources (uses)	2,322,070	2,741,237	2,741,237	-
Net change in cash balance	(63,795)	195,187	(130,957)	(326,144)
Cash balance, beginning of year	132,579	132,579	132,579	-
Cash balance, end of year	<u>\$ 68,784</u>	<u>\$ 327,766</u>	<u>\$ 1,622</u>	<u>\$ (326,144)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
CIEP CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ -	\$ 67,270	\$ 67,270	\$ -
Miscellaneous	-	180,918	249,730	68,812
Total revenue	-	248,188	317,000	68,812
Expenditures:				
Current:				
Economic development	92,870	334,470	320,050	14,420
Capital outlay	307,511	337,663	170,047	167,616
Total expenditures	400,381	672,133	490,097	182,036
Excess (deficiency) of revenues over expenditures	(400,381)	(423,945)	(173,097)	250,848
Other Financing Sources (Uses):				
Transfers in	500,000	500,000	500,000	-
Transfers (out)	(200,000)	(200,000)	(200,000)	-
Total other financing sources (uses)	300,000	300,000	300,000	-
Net change in cash balance	(100,381)	(123,945)	126,903	250,848
Cash balance, beginning of year	685,087	685,087	685,087	-
Cash balance, end of year	<u>\$ 584,706</u>	<u>\$ 561,142</u>	<u>\$ 811,990</u>	<u>\$ 250,848</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
 OLD LANDFILL CLOSURE CAPITAL PROJECT FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Public works	56,915	66,607	32,207	34,400
Current:	<u>60,000</u>	<u>73,269</u>	<u>38,416</u>	<u>34,853</u>
Total expenditures	<u>116,915</u>	<u>139,876</u>	<u>70,623</u>	<u>69,253</u>
Excess (deficiency) of revenues over expenditures	(116,915)	(139,876)	(70,623)	69,253
Other Financing Sources (Uses):				
Transfers in	<u>55,165</u>	<u>78,126</u>	<u>78,126</u>	<u>-</u>
Net change in cash balance	(61,750)	(61,750)	7,503	69,253
Cash balance, beginning of year	<u>73,227</u>	<u>73,227</u>	<u>73,227</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 11,477</u></u>	<u><u>\$ 11,477</u></u>	<u><u>\$ 80,730</u></u>	<u><u>\$ 69,253</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SANDPOINT LANDFILL CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 113,835	\$ 113,835	\$ -	\$ (113,835)
Expenditures:				
Current:				
Public works	<u>227,670</u>	<u>227,670</u>	<u>51,526</u>	<u>176,144</u>
Excess (deficiency) of revenues over expenditures	(113,835)	(113,835)	(51,526)	62,309
Other Financing Sources (Uses):				
Transfer in	<u>113,835</u>	<u>113,835</u>	<u>113,835</u>	<u>-</u>
Net change in cash balance	-	-	62,309	62,309
Cash balance, beginning of year	<u>3,375</u>	<u>3,375</u>	<u>3,375</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 3,375</u></u>	<u><u>\$ 3,375</u></u>	<u><u>\$ 65,684</u></u>	<u><u>\$ 62,309</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
FEDERAL PROJECTS CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 5,401,050	\$ 5,999,130	\$ 1,593,983	\$ (4,405,147)
Expenditures:				
Capital outlay	<u>4,069,252</u>	<u>4,769,252</u>	<u>2,038,395</u>	<u>2,730,857</u>
Excess (deficiency) of revenues over expenditures	1,331,798	1,229,878	(444,412)	(1,674,290)
Other Financing Sources (Uses):				
Transfer in	-	396,920	396,920	-
Transfer in	<u>(885,583)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(885,583)</u>	<u>396,920</u>	<u>396,920</u>	<u>-</u>
Net change in cash balance	446,215	1,626,798	(47,492)	(1,674,290)
Cash balance, beginning of year	<u>48,785</u>	<u>48,785</u>	<u>48,785</u>	<u>-</u>
Cash balance, end of year	<u>\$ 495,000</u>	<u>\$ 1,675,583</u>	<u>\$ 1,293</u>	<u>\$ (1,674,290)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
GRT CAPITAL OUTLAY CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State shared taxes	\$ -	\$ -	\$ 539,662	\$ 539,662
Expenditures:				
Capital outlay	-	-	-	-
Net change in cash balance	-	-	539,662	539,662
Cash balance, beginning of year	-	-	-	-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 539,662</u>	<u>\$ 539,662</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	State Legislature Fund	National Cave- Karst Institute Fund	Park Improvement Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 2,904,342	\$ 450,900	\$ 33,694
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>2,343,650</u>	<u>(111,210)</u>	<u>25</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u><u>\$ 5,247,992</u></u>	<u><u>\$ 339,690</u></u>	<u><u>\$ 33,719</u></u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 6,740,359	\$ 339,690	\$ 30,075
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>(657,495)</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u><u>\$ 6,082,864</u></u>	<u><u>\$ 339,690</u></u>	<u><u>\$ 30,075</u></u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 90,000	\$ -	\$ -
Differences - Budget to GAAP:			
The City budgets for capital improvements to the water and sewer utility systems within the capital project funds. The City chose to transfer the amount capitalized within the water and sewer funds. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	<u>(149,729)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u><u>\$ (59,729)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Sewer System Improvement Fund	Water System Improvement Fund	Street System Improvement Fund	CIEP Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ -	\$ 502	\$ 496,745	\$ 317,000
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>673,331</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u>\$ -</u>	<u>\$ 502</u>	<u>\$ 1,170,076</u>	<u>\$ 317,000</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 105,979	\$ 68,430	\$ 3,368,939	\$ 490,097
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>(22,502)</u>	<u>(5,285)</u>	<u>101,726</u>	<u>(5,108)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u>\$ 83,477</u>	<u>\$ 63,145</u>	<u>\$ 3,470,665</u>	<u>\$ 484,989</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 392,519	\$ 320,000	\$ 2,741,237	\$ 300,000
Differences - Budget to GAAP:				
The City budgets for capital improvements to the various funds within the capital projects funds. The City chose to transfer the amount capitalized within the various funds. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	<u>-</u>	<u>(5,772)</u>	<u>87,824</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u>\$ 392,519</u>	<u>\$ 314,228</u>	<u>\$ 2,829,061</u>	<u>\$ 300,000</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Old Landfill Closure Fund	Sandpoint Landfill Fund	Federal Projects Fund	GRT Capital Outlay Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ -	\$ -	\$ 1,593,983	\$ 539,662
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>-</u>	<u>84</u>	<u>314,529</u>	<u>266,598</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u>\$ -</u>	<u>\$ 84</u>	<u>\$ 1,908,512</u>	<u>\$ 806,260</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 70,623	\$ 51,526	\$ 2,038,395	\$ -
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>(34,368)</u>	<u>709</u>	<u>88,922</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u>\$ 36,255</u>	<u>\$ 52,235</u>	<u>\$ 2,127,317</u>	<u>\$ -</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 78,126	\$ 113,835	\$ 396,920	\$ -
Differences - Budget to GAAP:				
The City budgets for capital improvements to the various funds within the capital project funds. The City chose to transfer the amount capitalized within the various funds. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	<u>(23,797)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u>\$ 54,329</u>	<u>\$ 113,835</u>	<u>\$ 396,920</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SPORTS COMPLEX DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 924,055	\$ 924,055	\$ 1,002,311	\$ 78,256
Miscellaneous	-	20,000	20,800	800
Total revenues	924,055	944,055	1,023,111	79,056
Expenditures:				
Current:				
General government	108,632	122,508	122,507	1
Culture and recreation	104,300	133,300	116,442	16,858
Capital outlay	800	20,800	20,738	62
Debt service:				
Interest	428,253	428,233	428,252	(19)
Total expenditures	641,985	704,841	687,939	16,902
Excess (deficiency) of revenues over expenditures	282,070	239,214	335,172	95,958
Other Financing Sources (Uses):				
Transfer in	-	8,989	8,989	-
Net change in cash balance	282,070	248,203	344,161	95,958
Cash balance, beginning of year	1,125,740	1,125,740	1,125,740	-
Cash balance, end of year	<u>\$ 1,407,810</u>	<u>\$ 1,373,943</u>	<u>\$ 1,469,901</u>	<u>\$ 95,958</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
2002 SALES TAX BONDS DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Expenditures:				
Current:				
Debt service:				
Principal	\$ 245,000	\$ 245,000	\$ 245,000	\$ -
Interest	<u>123,663</u>	<u>123,663</u>	<u>123,662</u>	<u>1</u>
Total expenditures	<u>368,663</u>	<u>368,663</u>	<u>368,662</u>	<u>1</u>
Other Financing Sources (Uses):				
Transfers in	<u>368,663</u>	<u>368,663</u>	<u>368,663</u>	<u>-</u>
Net change in cash balance	-	-	1	1
Cash balance, beginning of year	<u>18,743</u>	<u>18,743</u>	<u>18,743</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 18,743</u></u>	<u><u>\$ 18,743</u></u>	<u><u>\$ 18,744</u></u>	<u><u>\$ 1</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Sports Complex Fund	2002 Sales Tax Bonds Fund
	<u> </u>	<u> </u>
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 1,023,111	\$ -
Differences - Budget to GAAP:		
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>(20,900)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - debt service funds	<u>\$ 1,002,211</u>	<u>\$ -</u>
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 687,939	\$ 368,662
Differences - Budget to GAAP:		
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	(3,576)	-
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>(482)</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - debt service funds.	<u>\$ 683,881</u>	<u>\$ 368,662</u>
Other Sources (Uses) of Resources:		
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 8,989	\$ 368,663
Differences - Budget to GAAP:		
None.	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - debt service funds.	<u>\$ 8,989</u>	<u>\$ 368,663</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2009

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Centre Fund	Cemetery Fund	Total
Assets:					
Current assets:					
Cash	\$ 42,209	\$ 204,008	\$ 8,043	\$ 135,431	\$ 389,691
Accounts receivable	-	5,426	-	-	5,426
Non-Current assets:					
Land	-	49,851	110,000	7,276	167,127
Construction in progress	-	-	-	131,711	131,711
Buildings	-	713,694	1,908,084	271,218	2,892,996
Improvements	-	-	-	304,068	304,068
Equipment	-	603,360	155,805	320	759,485
Less accumulated depreciation	-	(522,524)	(749,660)	(166,009)	(1,438,193)
Total capital assets, net	-	844,381	1,424,229	548,584	2,817,194
Total assets	42,209	1,053,815	1,432,272	684,015	3,212,311
Liabilities:					
Current liabilities:					
Accounts payable	-	5,489	8,038	7,854	21,381
Accrued salaries	-	18,834	2,028	-	20,862
Deferred revenues	-	1,767	-	-	1,767
Current maturities of:					
Compensated absences	-	5,840	1,005	-	6,845
Total current liabilities	-	31,930	11,071	7,854	50,855
Non-Current Liabilities:					
Compensated absences	-	3,899	-	-	3,899
Total liabilities	-	35,829	11,071	7,854	54,754
Net assets:					
Invested in capital assets	-	844,381	1,424,229	548,584	2,817,194
Unrestricted	42,209	173,605	(3,028)	127,577	340,363
Total net assets	\$ 42,209	\$ 1,017,986	\$ 1,421,201	\$ 676,161	\$ 3,157,557

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Centre Fund	Cemetery Fund	Total
Operating Revenues:					
Charges for services	\$ 9,023	\$ 67,210	\$ -	\$ 158,603	\$ 234,836
Operating Expenses:					
Personnel services	-	428,082	45,183	-	473,265
General operating	8,737	125,036	99,548	299,677	532,998
Depreciation	-	80,478	72,692	15,323	168,493
Total operating expenses	<u>8,737</u>	<u>633,596</u>	<u>217,423</u>	<u>315,000</u>	<u>1,174,756</u>
Operating income (loss)	286	(566,386)	(217,423)	(156,397)	(939,920)
Non-Operating Revenues (Expenses):					
Intergovernmental	-	320,014	-	-	320,014
Miscellaneous	2,238	25,856	-	-	28,094
Total non-operating expenses	<u>2,238</u>	<u>345,870</u>	<u>-</u>	<u>-</u>	<u>348,108</u>
Income (loss) before transfers	2,524	(220,516)	(217,423)	(156,397)	(591,812)
Transfers:					
Transfers in	-	108,171	154,237	343,211	605,619
Transfers (out)	-	(22,495)	(177)	-	(22,672)
Total transfers	<u>-</u>	<u>85,676</u>	<u>154,060</u>	<u>343,211</u>	<u>582,947</u>
Change in net assets	2,524	(134,840)	(63,363)	186,814	(8,865)
Net assets, beginning of year	39,685	1,153,480	1,484,564	489,347	3,167,076
Restatements	<u>-</u>	<u>(654)</u>	<u>-</u>	<u>-</u>	<u>(654)</u>
Net assets, beginning of year restated	<u>39,685</u>	<u>1,152,826</u>	<u>1,484,564</u>	<u>489,347</u>	<u>3,166,422</u>
Net assets, end of year	<u>\$ 42,209</u>	<u>\$ 1,017,986</u>	<u>\$ 1,421,201</u>	<u>\$ 676,161</u>	<u>\$ 3,157,557</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Centre Fund	Cemetery Fund	Total
Cash Flows From Operating Activities:					
Cash received from customers	\$ 9,023	\$ 124,236	\$ -	\$ 158,603	\$ 291,862
Cash payments to suppliers for goods and services	(8,737)	(129,004)	(99,656)	-	(237,397)
Cash payments to employees for services	-	(425,024)	(44,916)	(291,860)	(761,800)
Net cash provided by operating activities	286	(429,792)	(144,572)	(133,257)	(707,335)
Cash Flows (Used) by Non-Capital Financing Activities:					
Cash received from intergovernmental sources	-	320,014	-	-	320,014
Cash received from miscellaneous sources	2,238	25,856	-	-	28,094
Net transfers in (out)	-	85,676	154,060	343,211	582,947
Net cash provided by non-capital and financing activities	2,238	431,546	154,060	343,211	931,055
Cash Flows From Capital and Related Financing Activities:					
Acquisition of capital assets	-	(32,320)	(1,485)	(131,711)	(165,516)
Net increase in cash	2,524	(30,566)	8,003	78,243	58,204
Cash and cash equivalents, beginning of year	39,685	234,574	40	57,188	331,487
Cash and cash equivalents, end of year	<u>\$ 42,209</u>	<u>\$ 204,008</u>	<u>\$ 8,043</u>	<u>\$ 135,431</u>	<u>\$ 389,691</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$ 286	\$ (566,386)	\$ (217,423)	\$ (156,397)	\$ (939,920)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	-	80,478	72,692	15,323	168,493
Change in Assets and Liabilities:					
(Decrease) in accounts receivable	-	55,259	-	-	55,259
Increase (decrease) in accounts payable	-	(3,968)	(108)	7,817	3,741
Increase in accrued salaries	-	2,261	237	-	2,498
Increase in compensated absences	-	797	30	-	827
Increase in deferred revenues	-	1,767	-	-	1,767
Total adjustments	-	136,594	72,851	23,140	232,585
Net cash provided (used) by operating activities	<u>\$ 286</u>	<u>\$ (429,792)</u>	<u>\$ (144,572)</u>	<u>\$ (133,257)</u>	<u>\$ (707,335)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SOLID WASTE ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 3,420,000	\$ 3,420,000	\$ 3,326,555	\$ (93,445)
Operating Expenses:				
Personnel services	1,236,769	1,301,716	1,206,190	95,526
General operating	1,015,180	1,067,180	645,409	421,771
Capital outlay	30,000	93,741	75,487	18,254
Total operating expenses	<u>2,281,949</u>	<u>2,462,637</u>	<u>1,927,086</u>	<u>535,551</u>
Operating income	1,138,051	957,363	1,399,469	442,106
Non-Operating Revenues (Expenses):				
State shared taxes	463,500	463,500	501,960	38,460
Intergovernmental	111,000	111,000	-	(111,000)
Miscellaneous	-	45,741	46,329	588
Interest income	9,000	9,000	30,994	21,994
Gain on sale of assets	-	-	10,243	10,243
Retirement of debt	(65,594)	(65,594)	(65,594)	-
Total non-operating revenues (expenses)	<u>517,906</u>	<u>563,647</u>	<u>523,932</u>	<u>(39,715)</u>
Income before other financing sources (uses)	1,655,957	1,521,010	1,923,401	402,391
Other Financing Sources (Uses):				
Transfer in	111,000	175,947	175,947	-
Transfer (out)	(1,995,550)	(2,018,511)	(2,018,511)	-
Total other financing sources (uses)	<u>(1,884,550)</u>	<u>(1,842,564)</u>	<u>(1,842,564)</u>	<u>-</u>
Net change in cash balance	(228,593)	(321,554)	80,837	402,391
Cash balance, beginning of year	<u>2,242,213</u>	<u>2,242,213</u>	<u>2,242,213</u>	<u>-</u>
Cash balance, end of year	<u>\$ 2,013,620</u>	<u>\$ 1,920,659</u>	<u>\$ 2,323,050</u>	<u>\$ 402,391</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
JOINT WATER & SEWER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 7,380,285	\$ 7,380,285	\$ 7,852,678	\$ 472,393
Operating Expenses:				
Personnel services	2,842,233	3,000,061	2,611,425	388,636
General operating	2,056,011	2,518,771	2,272,095	246,676
Capital outlay	1,442,430	1,296,321	476,902	819,419
Total operating expenses	<u>6,340,674</u>	<u>6,815,153</u>	<u>5,360,422</u>	<u>1,454,731</u>
Operating income	1,039,611	565,132	2,492,256	1,927,124
Non-Operating Revenues (Expenses):				
Miscellaneous	-	15,598	17,579	1,981
Interest income	275,000	275,000	327,327	52,327
Sale of assets	2,000	2,000	-	(2,000)
Retirement of debt	(985,000)	(13,855,000)	(13,855,000)	-
Interest expense	(637,990)	(1,313,463)	(1,313,462)	1
Total non-operating revenues (expenses)	<u>(1,345,990)</u>	<u>(14,875,865)</u>	<u>(14,823,556)</u>	<u>52,309</u>
Income (loss) before other financing sources (uses)	(306,379)	(14,310,733)	(12,331,300)	1,979,433
Other Financing Sources (Uses):				
Bond proceeds	-	21,440,000	21,440,000	-
Transfer in	1,622,990	14,878,817	132,739	(14,746,078)
Transfer (out)	(3,106,155)	(16,141,059)	(1,574,981)	14,566,078
Total other financing sources (uses)	<u>(1,483,165)</u>	<u>20,177,758</u>	<u>19,997,758</u>	<u>(180,000)</u>
Net change in cash balance	(1,789,544)	5,867,025	7,666,458	1,799,433
Cash balance, beginning of year	5,230,163	5,230,163	5,230,163	-
Cash advance to state legislative fund	-	-	(4,401,818)	(4,401,818)
Cash converted to investments	-	-	(15,812)	(15,812)
Cash balance, end of year	<u>\$ 3,440,619</u>	<u>\$ 11,097,188</u>	<u>\$ 8,478,991</u>	<u>\$ (2,618,197)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
MUSEUM GIFT SHOP ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 10,000	\$ 10,000	\$ 9,023	\$ (977)
Operating Expenses:				
General operating	19,950	19,950	8,737	11,213
Capital outlay	10,000	10,000	-	10,000
Total operating expenses	<u>29,950</u>	<u>29,950</u>	<u>8,737</u>	<u>21,213</u>
Operating income (loss)	(19,950)	(19,950)	286	20,236
Non-Operating Revenues (Expenses):				
Miscellaneous	750	750	2,238	1,488
Net change in cash balance	(19,200)	(19,200)	2,524	21,724
Cash balance, beginning of year	<u>39,685</u>	<u>39,685</u>	<u>39,685</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 20,485</u></u>	<u><u>\$ 20,485</u></u>	<u><u>\$ 42,209</u></u>	<u><u>\$ 21,724</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
MUNICIPAL TRANSIT ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 44,000	\$ 44,000	\$ 73,092	\$ 29,092
Operating Expenses:				
Personnel services	414,643	425,024	425,024	-
General operating	146,325	146,325	125,644	20,681
Capital outlay	2,255	19,572	9,824	9,748
Total operating expenses	<u>563,223</u>	<u>590,921</u>	<u>560,492</u>	<u>30,429</u>
Operating (loss)	(519,223)	(546,921)	(487,400)	59,521
Non-Operating Revenues (Expenses):				
Intergovernmental	<u>279,400</u>	<u>279,400</u>	<u>371,158</u>	<u>91,758</u>
(Loss) before other financing sources (uses)	(239,823)	(267,521)	(116,242)	151,279
Other Financing Sources (Uses):				
Transfer in	100,000	108,171	108,171	-
Transfer (out)	<u>(22,495)</u>	<u>(22,495)</u>	<u>(22,495)</u>	<u>-</u>
Total other financing sources (uses)	<u>77,505</u>	<u>85,676</u>	<u>85,676</u>	<u>-</u>
Net change in cash balance	(162,318)	(181,845)	(30,566)	151,279
Cash balance, beginning of year	<u>234,574</u>	<u>234,574</u>	<u>234,574</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 72,256</u></u>	<u><u>\$ 52,729</u></u>	<u><u>\$ 204,008</u></u>	<u><u>\$ 151,279</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
PERFORMING ARTS CENTRE ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Operating Expenses:				
Personnel services	45,940	45,940	44,916	1,024
General operating	106,575	106,575	99,656	6,919
Total operating expenses	<u>152,515</u>	<u>152,515</u>	<u>144,572</u>	<u>7,943</u>
Operating (loss)	(152,515)	(152,515)	(144,572)	7,943
Non-Operating Revenues (Expenses):				
Miscellaneous	<u>2,754</u>	<u>2,754</u>	<u>-</u>	<u>(2,754)</u>
Income (loss) before other financing sources (uses)	(149,761)	(149,761)	(144,572)	5,189
Other Financing Sources (Uses):				
Transfer in	152,752	152,752	152,752	-
Transfer (out)	<u>(177)</u>	<u>(177)</u>	<u>(177)</u>	<u>-</u>
Total other financing sources (uses)	<u>152,575</u>	<u>152,575</u>	<u>152,575</u>	<u>-</u>
Net change in cash balance	2,814	2,814	8,003	5,189
Cash balance, beginning of year	<u>40</u>	<u>40</u>	<u>40</u>	<u>-</u>
Cash balance, end of year	<u>\$ 2,854</u>	<u>\$ 2,854</u>	<u>\$ 8,043</u>	<u>\$ 5,189</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
CEMETERY ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Operating Revenues:				
Charges for services	\$ 140,500	\$ 140,500	\$ 158,603	\$ 18,103
Operating Expenses:				
General operating	<u>351,475</u>	<u>351,475</u>	<u>291,860</u>	<u>59,615</u>
Operating (loss)	(210,975)	(210,975)	(133,257)	77,718
Other Financing Sources (Uses):				
Transfer in	<u>211,500</u>	<u>211,500</u>	<u>211,500</u>	<u>-</u>
Net change in cash balance	525	525	78,243	77,718
Cash balance, beginning of year	<u>57,188</u>	<u>57,188</u>	<u>57,188</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 57,713</u></u>	<u><u>\$ 57,713</u></u>	<u><u>\$ 135,431</u></u>	<u><u>\$ 77,718</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Solid Waste Fund	Joint Water and Sewer Fund	Museum Gift Shop Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Operating Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 3,326,555	\$ 7,852,678	\$ 9,023
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenue for budgetary basis but are considered revenue for financial reporting purposes.	<u>111,259</u>	<u>202,598</u>	<u>-</u>
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u><u>\$ 3,437,814</u></u>	<u><u>\$ 8,055,276</u></u>	<u><u>\$ 9,023</u></u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 1,927,086	\$ 5,360,422	\$ 8,737
Differences - Budget to GAAP:			
Changes in the consumable inventories are not accounted for within the budgetary basis. The decrease in inventories adds to the operating expenses for financial reporting purposes.	-	(4,561)	-
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenses for financial reporting purposes.	(1,198)	(63,787)	-
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenses for financial reporting purposes.	12,151	19,643	-
The City budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes.	(75,487)	(476,902)	-
Depreciation and amortization expenses are not considered an outflow of operating resources for budgetary basis but are considered expenses for financial reporting purposes.	220,311	1,325,130	-
The City budgets on going landfill post closure expenses as a current year expenditure. For financial reporting purposes, the City has recognized the projected liability as the landfill was operating.	<u>479,235</u>	<u>-</u>	<u>-</u>
Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	<u><u>\$ 2,562,098</u></u>	<u><u>\$ 6,159,945</u></u>	<u><u>\$ 8,737</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
AND STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Solid Waste Fund</u>	<u>Joint Water and Sewer Fund</u>	<u>Museum Gift Shop Fund</u>
Sources/Inflows of Non-Operating Resources:			
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 589,526	\$ 344,906	\$ 2,238
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for budgetary basis but are considered revenue for financial reporting purposes.	<u>(28,100)</u>	<u>(32,233)</u>	<u>-</u>
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 561,426</u>	<u>\$ 312,673</u>	<u>\$ 2,238</u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ (65,594)	\$ (15,168,462)	\$ -
Differences - Budget to GAAP:			
For budgetary purposes, the City accounts for the principal payment as a reduction of debt expenditure. For financial reporting purposes the payment of debt is reflected as a reduction of a liability.	53,441	13,855,000	-
The City budgets for interest on long-term debt paid for during the current accounting period. Accrual of interest in the budgetary basis but are expenses for financial reporting purposes.	<u>251</u>	<u>584,557</u>	<u>-</u>
Total non-operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ (11,902)</u>	<u>\$ (728,905)</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
AND STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Solid Waste Fund	Joint Water and Sewer Fund	Museum Gift Shop Fund
Other Sources of Resources:			
Actual amounts (budgetary basis) "bond proceeds" from the budgetary comparison schedule.	\$ -	\$ 21,440,000	\$ -
Differences - Budget to GAAP:			
During the fiscal year, the City refinanced their revenue bonds within the joint water and sewer fund. For budgetary purposes, the City accounts for the bond proceeds as other sources of resources. For financial reporting purposes, the bond proceeds are reflected as a long term debt liability.	-	(21,440,000)	-
Total other sources of resources as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Uses of Resources:			
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	\$ 175,947	\$ 132,739	\$ -
Differences - Budget to GAAP:			
During the fiscal year, the City purchased capital within the various capital project funds. The City chose to transfer the amount capitalized from the various capital project funds to the respective enterprise fund. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	23,797	25,836	-
Total other sources of resources as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 199,744</u>	<u>\$ 158,575</u>	<u>\$ -</u>
Other Uses of Resources:			
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ (2,018,511)	\$ (1,574,981)	\$ -
Differences - Budget to GAAP:			
During the fiscal year, the City purchased capital within the joint water and sewer fund. The City chose to transfer the amount capitalized from the joint water and sewer fund to the respective capital project fund. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	-	(88,054)	-
Total other (uses) resources as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ (2,018,511)</u>	<u>\$ (1,663,035)</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
AND STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Municipal Transit Fund	Performing Arts Centre Fund	Cemetery Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Operating Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 73,092	\$ -	\$ 158,603
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenue for budgetary basis but are considered revenue for financial purposes.	<u>(5,882)</u>	<u>-</u>	<u>-</u>
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 67,210</u>	<u>\$ -</u>	<u>\$ 158,603</u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 560,492	\$ 144,572	\$ 291,860
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenses for financial reporting purposes.	4,554	(108)	7,817
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenses for financial reporting purposes.	(3,058)	267	-
The City budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes.	(8,870)	-	-
Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes.	<u>80,478</u>	<u>72,692</u>	<u>15,323</u>
Total operating expenditures as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 633,596</u>	<u>\$ 217,423</u>	<u>\$ 315,000</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
AND STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Municipal Transit Fund	Performing Arts Centre Fund	Cemetery Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Non-Operating Resources:			
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 371,158	\$ -	\$ -
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenue for budgetary basis but are considered revenue for financial reporting purposes.	(51,144)	-	-
During the fiscal year, the City received assets purchased by others and not recorded. The City receipt of the assets are not considered an inflow or revenues for budgetary basis.	<u>25,856</u>	<u>-</u>	<u>-</u>
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 345,870</u>	<u>\$ -</u>	<u>\$ -</u>
Uses/Outflows of Non-Operating Resources:			
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ -	\$ -	\$ -
Differences - Budget to GAAP:			
None.	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating expenditures as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
AND STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Municipal Transit Fund</u>	<u>Performing Arts Centre Fund</u>	<u>Cemetery Fund</u>
Other Sources of Resource:			
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	\$ 108,171	\$ 152,752	\$ 211,500
Differences - Budget to GAAP:			
During the fiscal year, the City purchased capital within the general and state legislative funds. The City chose to transfer the amount capitalized from the general and state legislative funds to the respective enterprise fund. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	<u>-</u>	<u>1,485</u>	<u>131,711</u>
Total other sources of resources as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ 108,171</u>	<u>\$ 154,237</u>	<u>\$ 343,211</u>
Other Uses of Resources:			
Actual amounts (budgetary basis) "transfers out" from the budgetary comparison schedule.	\$ (22,495)	\$ (177)	\$ -
Differences - Budget to GAAP:			
None.	<u>-</u>	<u>-</u>	<u>-</u>
Total other (uses) resources as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ (22,495)</u>	<u>\$ (177)</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2009

	<u>Computer Lease Equipment Fund</u>	<u>General Insurance Fund</u>	<u>Group Health Insurance Fund</u>	<u>Disaster Preparedness Fund</u>	<u>Total</u>
Assets:					
Current assets:					
Cash	\$ 64,503	\$ 1,027,095	\$ 1,411,653	\$ 1,000,000	\$ 3,503,251
Accrued interest receivable	-	17	620	-	637
Restricted assets:					
Cash	-	501,339	700,000	-	1,201,339
Total assets	64,503	1,528,451	2,112,273	1,000,000	4,705,227
Liabilities:					
Current liabilities:					
Accounts payable	115	29,739	-	-	29,854
Total liabilities	115	29,739	-	-	29,854
Net Assets:					
Unrestricted	64,388	1,498,712	2,112,273	1,000,000	4,675,373
Total net assets	<u>\$ 64,388</u>	<u>\$ 1,498,712</u>	<u>\$ 2,112,273</u>	<u>\$ 1,000,000</u>	<u>\$ 4,675,373</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Computer Lease Equipment Fund	General Insurance Fund	Group Health Insurance Fund	Disaster Preparedness Fund	Total
Operating Revenues:					
Charges for services	\$ -	\$ 21,103	\$ 3,047,303	\$ -	\$ 3,068,406
Operating Expenses:					
General operating	67,987	1,270,026	2,172,830	-	3,510,843
Operating (loss)	(67,987)	(1,248,923)	874,473	-	(442,437)
Non-Operating Revenues (Expenses):					
Interest	-	4,211	11,009	-	15,220
Income (loss) before transfers	(67,987)	(1,244,712)	885,482	-	(427,217)
Transfers:					
Transfers in	128,036	1,541,895	-	1,000,000	2,669,931
Transfers (out)	-	-	(1,123,179)	-	(1,123,179)
Total transfers	128,036	1,541,895	(1,123,179)	1,000,000	1,546,752
Change in net assets	60,049	297,183	(237,697)	1,000,000	1,119,535
Net assets, beginning of year	4,339	1,201,529	2,349,970	-	3,555,838
Net assets, end of year	<u>\$ 64,388</u>	<u>\$ 1,498,712</u>	<u>\$ 2,112,273</u>	<u>\$ 1,000,000</u>	<u>\$ 4,675,373</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Computer Lease Equipment Fund	General Insurance Fund	Group Health Insurance Fund	Disaster Preparedness Fund	Total
Cash Flows From Operating Activities:					
Internal activity - receipts from other funds	\$ -	\$ 21,103	\$ 3,047,303	\$ -	\$ 3,068,406
Cash payments to suppliers for goods and services	<u>(76,847)</u>	<u>(1,308,891)</u>	<u>(2,172,830)</u>	<u>-</u>	<u>(3,558,568)</u>
Net cash provided (used) by operating activities	(76,847)	(1,287,788)	874,473	-	(490,162)
Cash Flows for Non-Capital and Financing Activities:					
Net transfers in (out)	128,036	1,541,895	(1,123,179)	1,000,000	1,546,752
Cash Flows From Investing Activities:					
Interest income	<u>-</u>	<u>6,467</u>	<u>28,777</u>	<u>-</u>	<u>35,244</u>
Net increase (decrease) in cash	51,189	260,574	(219,929)	1,000,000	1,091,834
Cash and cash equivalents, beginning of year	<u>13,314</u>	<u>967,860</u>	<u>2,131,582</u>	<u>-</u>	<u>3,112,756</u>
Cash and cash equivalents, end of year	<u><u>\$ 64,503</u></u>	<u><u>\$ 1,228,434</u></u>	<u><u>\$ 1,911,653</u></u>	<u><u>\$ 1,000,000</u></u>	<u><u>\$ 4,204,590</u></u>
Displayed as:					
Cash	\$ 64,503	\$ 1,027,095	\$ 1,411,653	\$ 1,000,000	\$ 3,503,251
Restricted cash	-	501,339	700,000	-	1,201,339
Time deposits not considered cash equivalents	<u>-</u>	<u>(300,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>(500,000)</u>
	<u><u>\$ 64,503</u></u>	<u><u>\$ 1,228,434</u></u>	<u><u>\$ 1,911,653</u></u>	<u><u>\$ 1,000,000</u></u>	<u><u>\$ 4,204,590</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating (loss)	\$ (67,987)	\$ (1,248,923)	\$ 874,473	\$ -	\$ (442,437)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Change in Assets and Liabilities:					
(Decrease) in accounts payable	<u>(8,860)</u>	<u>(38,865)</u>	<u>-</u>	<u>-</u>	<u>(47,725)</u>
Net cash (used) by operating activities	<u><u>\$ (76,847)</u></u>	<u><u>\$ (1,287,788)</u></u>	<u><u>\$ 874,473</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (490,162)</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMPUTER LEASE EQUIPMENT INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Operating Expenses:				
General operating	128,036	128,036	76,847	51,189
Operating (loss)	(128,036)	(128,036)	(76,847)	51,189
Non-Operating Revenues (Expenses):				
Miscellaneous	-	-	-	-
(Loss) before other financing sources (uses)	(128,036)	(128,036)	(76,847)	51,189
Other Financing Sources (Uses):				
Transfers in	128,036	128,036	128,036	-
Net change in cash balance	-	-	51,189	51,189
Cash balance, beginning of year	13,314	13,314	13,314	-
Cash balance, end of year	<u>\$ 13,314</u>	<u>\$ 13,314</u>	<u>\$ 64,503</u>	<u>\$ 51,189</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
GENERAL INSURANCE INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Operating Revenues:				
Charges for services	\$ 20,000	\$ 20,000	\$ 21,103	\$ 1,103
Operating Expenses:				
General operating	<u>1,511,250</u>	<u>1,546,250</u>	<u>1,308,891</u>	<u>237,359</u>
Operating (loss)	(1,491,250)	(1,526,250)	(1,287,788)	238,462
Non-Operating Revenue (Expenses):				
Interest income	<u>20,000</u>	<u>20,000</u>	<u>6,467</u>	<u>(13,533)</u>
(Loss) before other financing sources (uses)	(1,471,250)	(1,506,250)	(1,281,321)	224,929
Other Financing Sources (Uses):				
Transfers in	<u>1,506,895</u>	<u>1,541,895</u>	<u>1,541,895</u>	<u>-</u>
Net change in cash balance	35,645	35,645	260,574	224,929
Cash balance, beginning of year	767,860	767,860	767,860	-
Cash converted to investments	<u>-</u>	<u>-</u>	<u>(1,339)</u>	<u>(1,339)</u>
Cash balance, end of year	<u>\$ 803,505</u>	<u>\$ 803,505</u>	<u>\$ 1,027,095</u>	<u>\$ 223,590</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
GROUP HEALTH INSURANCE INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Operating Revenues:				
Charges for services	\$ 3,668,903	\$ 3,668,903	\$ 3,047,303	\$ (621,600)
Operating Expenses:				
General operating	<u>3,370,903</u>	<u>3,370,903</u>	<u>2,172,830</u>	<u>1,198,073</u>
Operating income	298,000	298,000	874,473	576,473
Non-Operating Revenue (Expenses):				
Interest income	<u>21,300</u>	<u>21,300</u>	<u>28,777</u>	<u>7,477</u>
Income before other financing sources (uses)	319,300	319,300	903,250	583,950
Other Financing Sources (Uses):				
Transfers (out)	<u>-</u>	<u>(1,123,182)</u>	<u>(1,123,179)</u>	<u>3</u>
Net change in cash balance	319,300	(803,882)	(219,929)	583,953
Cash balance, beginning of year	<u>1,631,582</u>	<u>1,631,582</u>	<u>1,631,582</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 1,950,882</u></u>	<u><u>\$ 827,700</u></u>	<u><u>\$ 1,411,653</u></u>	<u><u>\$ 583,953</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
DISASTER PREPAREDNESS INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Operating Expenses:				
General operating	-	-	-	-
Operating (loss)				
Non-Operating Revenues (Expenses)				
Miscellaneous	-	-	-	-
(Loss) before other financing sources (uses)	-	-	-	-
Other Financing Sources (Uses):				
Transfer in	1,000,000	1,000,000	1,000,000	-
Net change in cash balance	1,000,000	1,000,000	1,000,000	-
Cash balance, beginning of year	-	-	-	-
Cash balance, end of year	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY BASIS COMPARISON STATEMENTS
TO THE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Computer Lease Equipment Fund	General Insurance Fund
Sources/Inflows of Operating Resources:		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ -	\$ 21,103
Differences - Budget to GAAP:		
None.	-	-
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ -	\$ 21,103
Uses/Outflows of Operating Resources:		
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 76,847	\$ 1,308,891
Differences - Budget to GAAP:		
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis, but are expenses for financial reporting purposes.	(8,860)	(38,865)
Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ 67,987	\$ 1,270,026
Sources/Inflows of Non-Operating Resources:		
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ -	\$ 6,467
Differences - Budget to GAAP:		
Accrual of revenues and associated receivables that are not considered an inflow or revenues for budgetary basis, but are considered revenue for financial purposes.	-	(2,256)
Total non-operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ -	\$ 4,211
Uses/Outflows of Non-Operating Resources:		
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ -	\$ -
Differences - Budget to GAAP:		
None.	-	-
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ -	\$ -
Other Sources of Resource:		
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	\$ 128,036	\$ 1,541,895
Differences - Budget to GAAP:		
None.	-	-
Total other sources of resources as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ 128,036	\$ 1,541,895
Other Uses of Resources:		
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ -	\$ -
Differences - Budget to GAAP:		
None.	-	-
Total other uses of resources as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ -	\$ -

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY BASIS COMPARISON STATEMENTS
TO THE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Group Health Insurance Fund	Disaster Preparedness Fund
Sources/Inflows of Operating Resources:		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 3,047,303	\$ -
Differences - Budget to GAAP:		
None.	-	-
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ 3,047,303	\$ -
Uses/Outflows of Operating Resources:		
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 2,172,830	\$ -
Differences - Budget to GAAP:		
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenses for financial reporting purposes.	-	-
Total operating expenditures as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ 2,172,830	\$ -
Sources/Inflows of Non-Operating Resources:		
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 28,777	\$ -
Differences - Budget to GAAP:		
Accrual of revenues and associated receivables that are not considered an inflow or revenues for budgetary basis but are considered revenue for financial purposes.	(17,768)	-
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ 11,009	\$ -
Uses/Outflows of Non-Operating Resources:		
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ -	\$ -
Differences - Budget to GAAP:		
None.	-	-
Total non-operating expenditures as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ -	\$ -
Other Sources of Resources:		
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	\$ -	\$ 1,000,000
Differences - Budget to GAAP:		
None.	-	-
Total other sources of resources as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ -	\$ 1,000,000
Other Uses of Resources:		
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ (1,123,179)	\$ -
Differences - Budget to GAAP:		
None.	-	-
Total other sources of resources as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ (1,123,179)	\$ -

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

SUPPLEMENTAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2009

<u>Financial Institution/Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Carlsbad National Bank P.O. Box 1359 Carlsbad, New Mexico 88221-1359				
Health Insurance Fund	Checking	\$ 1,411,395	\$ 258	\$ 1,411,653
Payroll Fund	Checking	98,902	(88,845)	10,057
Debt Service Fund	Checking	219,798	-	219,798
CDBG Fund	Checking	215,000	(215,000)	-
General Operating	CD	200,000	-	200,000
Water & Sewer	CD	500,000	-	500,000
General Operating	CD	300,000	-	300,000
Health Insurance	CD	250,000	-	250,000
Health Insurance	CD	200,000	-	200,000
Sandpoint Landfill Reserve	CD	250,000	-	250,000
Water & Sewer	CD	300,000	-	300,000
General Operating	CD	250,000	-	250,000
Health Insurance	CD	250,000	-	250,000
WC	CD	50,000	-	50,000
Lodger's Tax	CD	30,000	-	30,000
		<u>\$ 4,525,095</u>	<u>\$ (303,587)</u>	<u>\$ 4,221,508</u>
Pioneer Savings Bank P.O. Box 130 Roswell, New Mexico 88202-0130				
General/Water	CD	\$ 401,463	\$ -	\$ 401,463
General	CD	100,680	-	100,680
Water & Sewer	CD	216,637	-	216,637
General	CD	201,361	-	201,361
Sandpoint Closure Reserve	CD	200,732	-	200,732
General	CD	100,659	-	100,659
General	CD	102,031	-	102,031
General	CD	329,182	-	329,182
WC	CD	100,680	-	100,680
WC	CD	100,659	-	100,659
		<u>\$ 1,854,084</u>	<u>\$ -</u>	<u>\$ 1,854,084</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2009

<u>Financial Institution/Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Wells Fargo Bank, N.A. Carlsbad Office 115 W. Fox Street Carlsbad, New Mexico 88221				
General Operations	Checking	\$ 16,226,038	\$ (1,546,954)	\$ 14,679,084
City Fund Investment Account	Checking	519,910	682	520,592
General Operating	CD	300,000	-	300,000
Worker's Compensation	CD	250,000	-	250,000
Permanent Water & Sewer	CD	200,000	-	200,000
Permanent Water & Sewer	CD	157,735	-	157,735
Permanent Water & Sewer	CD	100,000	-	100,000
Water & Sewer	CD	100,000	-	100,000
		<u>\$ 17,853,683</u>	<u>\$ (1,546,272)</u>	<u>\$ 16,307,411</u>
Western Commerce Bank P.O. Box 1358 Carlsbad, New Mexico 88221-1358				
Construction Account	Checking	\$ 6,704,326	\$ 796,735	\$ 7,501,061
Federal Projects Fund	Checking	433,883	(380,032)	53,851
98 Water & Sewer Bond	CD	500,000	-	500,000
General Operating	CD	319,638	-	319,638
General Operating	CD	319,776	-	319,776
98 Water & Sewer Bond	CD	300,000	-	300,000
General Operating	CD	271,098	-	271,098
Water & Sewer	CD	250,882	-	250,882
Sandpoint Closure Reserve	CD	165,000	-	165,000
Sandpoint Closure Reserve	CD	140,494	-	140,494
Sandpoint Closure Reserve	CD	108,460	-	108,460
		<u>\$ 9,513,557</u>	<u>\$ 416,703</u>	<u>\$ 9,930,260</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2009

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

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
FHLB 1287	3133XYBP4	05/25/10	\$ 1,035,514
FHLB 1289	31339XNWO	06/30/10	1,043,505
FHLB 1291	3133XCTV5	09/01/10	1,048,618
FHLB 1300	31339YTG7	02/09/11	<u>1,005,700</u>
Total:			<u>\$ 4,133,337</u>

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

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

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
GNMA II 080418	36225CPC4	06/20/30	\$ 184,788
GNMA 080477	36225CQ74	12/20/30	21,879
GNMA II 080540	36225CS64	09/20/31	108,946
GNMA II 080562	36225CTU0	12/20/31	76,236
FNMA 1 YR TR 648558	31390KQK7	06/01/32	23,962
FNMA ARM 661745	31391BES2	09/01/32	37,270
FNMA 1 YR CMT 759453	31403VWN5	01/01/34	200,119
FNLMC 1 YR CMT 781721	31349S4E0	07/01/34	<u>166,976</u>
Total:			<u>\$ 820,176</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2009

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

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
GNSF 781121	36225BG69	12/15/29	\$ 91,711
GNSF 781263	36225BML9	03/15/31	833,823
FNCL 833614	31407LDT1	01/01/36	4,237,743
FNCL 256308	31371MU96	07/01/36	2,023,475
FNCL 256308	31371MU96	07/01/36	2,315,147
Total:			<u><u>\$ 9,501,899</u></u>

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

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

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
GNMA 8233	36202KEE1	06/20/17	\$ 93,453
FNMA 195638	31368PHP3	04/01/22	53,776
GNMA 8228	36202KD93	07/20/23	50,654
GNMA 8280	36202KFV2	09/20/23	50,993
GNMA 8595	36202KRQ0	02/20/25	69,887
GNMA 8608	36202KR56	03/20/25	210,795
GNMA 782156	36241KMD7	05/20/37	1,018,749
SBA Series 2005-20 A Class	83162CPG2	01/01/25	711,213
SBA Series 2005-20 A Class	83162CRX3	07/01/28	1,057,194
SBA Series 2005-20 A Class	83162CRY1	08/01/28	2,155,238
GNMA 80185 "B"	36225CF35	04/20/28	21,265
GNMA 80200	36225CGJ9	05/20/28	35,240
FNMA 62689 "B"	31362JUN3	06/01/28	35,405
GNMA 80299	36225CKM7	07/20/29	56,107
FNMA 709279	31401H6Q0	06/01/33	175,251
FNMA 807223	31406DYU4	01/01/35	502,452
FNMA 745944	61403DWD7	12/01/33	2,147,948
Total:			<u><u>\$ 8,445,620</u></u>

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

SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Grant Number	Award Amount	Expenditures
U.S. Department of Housing and Urban Development				
Community Development Block Grant	14.228	06-C-NR-I1-G19	\$ 250,000	\$ 250,000
U.S. Department of the Interior/National Parks Service				
National Cave & Karst Institute	15.406	H2360042045	1,956,900	195,690
U.S. Department of Transportation/ Federal Aviation Administration				
Airport Improvement Program	20.106	3-35-0007-017-2007	1,464,074	29,661
Airport Improvement Program	21.106	3-35-0007-017-2006	588,051	<u>33,526</u>
Total U.S. Department of Transportation/ Federal Aviation Administration				63,187
U.S. Department of Transportation/Passed Through NM Department of Transportation				
Highway Research and Development	20.200	NH-285-1 (5) 34	2,005,487	14,875
Highway Research and Development	20.200	HPP-4269 (2) 06	2,110,378	3,860
Highway Planning and Construction	20.205	TPO-062-1 (40) 33	1,656,263	1,656,263
Federal Transit - Formula Grants	20.507	M00816	347,004	<u>347,004</u>
Total U.S. Department of Transportation/ Passed Through NM Department of Transportation				<u>2,022,002</u>
Total U.S. Department of Transportation				2,085,189
U.S. Department of Energy				
	81.502	DE-FG29-03-AL68371	19,708,000	3,703,618
U.S. Department of Health and Human Services/ Administration for Children and Families				
Temporary Assistance for Needy Families	93.558	08-630-9000-0002 GSA	37,200	37,200
Corporation for National and Community Service				
	94.002	09-624-4000-0065	44,790	44,790
U.S. Department of Homeland Security/ Federal Emergency Management Agency/				
Hazardous Materials Training Assistance	87.021	HMENM-4056110	3,750	1,680
Assistance to Firefighter's Grant	97.044	EMW-2006-FF-04223	621,000	159,527
Assistance to Firefighter's Grant	97.044	EMW-2006-FG-08339	255,294	<u>2,792</u>
Total U.S. Department of Homeland Security				<u>163,999</u>
Total Expenditures of Federal Awards				<u>\$ 6,480,486</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City of Carlsbad (City). The City is defined in Note 1 of the City's financial statements.

2. BASIS OF ACCOUNTING

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

3. NON-CASH ASSISTANCE

During the current fiscal year, the City did not expend any federal non-cash assistance. The City did not receive any federal assistance related to insurance nor did they have any loans or loan guarantees outstanding at year end.

4. RECONCILIATION OF FINANCIAL STATEMENTS TO FEDERAL AWARDS

Federal expenditures on the schedule of expenditures of federal awards amount to \$6,480,486. The amounts of expenditures within the funds are reflected within the financial statements as follows:

General Fund	
Public safety	\$ 163,999
Special Revenue Funds	
<u>Airport Fund</u>	
Capital outlay	63,187
<u>RSVP Fund</u>	
Health and welfare	44,790
<u>State Legislative Fund</u>	
Capital outlay	195,690
<u>WIPP Acceleration Impact Fund</u>	
Economic development	401,319
Capital outlay	3,302,299
<u>Community Development Fund</u>	
Capital outlay	250,000
Capital Projects Funds	
<u>Federal Projects Fund</u>	
Capital outlay	1,674,998
Proprietary Funds	
<u>Municipal Transit Fund</u>	
Personnel services	271,426
General operating	112,778
	<u>\$ 6,480,486</u>

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
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Report on Internal Control over Financial Reporting
And on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparison statement for the general fund, of the City of Carlsbad, New Mexico as of and for the year ended June 30, 2009, and have issued our report thereon dated February 17, 2010. We also have audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise and internal service funds, and the respective budgetary comparison statements for the state legislative and National Cave-Karst Institute fund, the major enterprise funds, and for each nonmajor special revenue, capital project, debt service, enterprise and internal service funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009 as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items 2007-02, 2008-02, 2008-03, and 2008-04.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that 2007-02, 2008-02, 2008-03 and 2008-04 of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance, or other matters that is required to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings and questioned costs as items, 2008-02, 2008-03, 2008-04, and 2008-06.

We noted certain matters that are required to be reported under *Government Auditing Standards* and paragraph 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as items 2007-01 and 2009-01.

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

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



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

February 17, 2010

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Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control
Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of City of Carlsbad, New Mexico with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. City of Carlsbad's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Carlsbad's management. Our responsibility is to express an opinion on City of Carlsbad's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Carlsbad's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Carlsbad's compliance with those requirements.

In our opinion, City of Carlsbad complied, in all material respects, with the requirements referred to above that are applicable each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of City of Carlsbad is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Carlsbad's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Carlsbad's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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



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

February 17, 2010

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified X Yes No
- Significant deficiency (ies) identified that are not considered to be material weaknesses Yes X None reported
- Noncompliance material to financial statements noted X Yes No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified Yes X No
- Significant deficiency (ies) identified that are not considered to be material weaknesses Yes X None reported

Type of auditors' report issued on compliance with major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 Yes X No

Program tested as major programs include:

Program	CFDA No.
Federal Transit-Formula Grants	20.507
Water & Energy Appropriation Act	81.502

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2007-01 – Stale Checks

Statement of Condition – During our review of the City’s year end bank reconciliations, it was discovered the City has one thousand eighty-four in old (stale) checks, totaling \$71,303, on its outstanding check register. These old (stale) checks have not been managed under the New Mexico escheat laws. The oldest check outstanding is dated September 1, 1995. Furthermore, the City failed to void \$49,647 of outstanding checks which have been outstanding greater than 180 days, as per the City’s cash policy.

Criteria – Section 7-8A of the New Mexico State Statutes, *The Uniform Unclaimed Property Act (1995)*, sets forth the processes and requirements of a holder of property (City) to report to the administrator annually by November 1st for the prior period ending July 1st of that year. It also specifies the notification requirements to the property owner.

The City’s cash policy states all checks outstanding for greater than 180 days, from the date of issuance, shall be null and void. This information is also stated on each check issued by the City.

Effect – The City is not in compliance with New Mexico State Statutes and their policy and procedures. While these amounts are immaterial to the financial statements, monies owed to residents or former residents of the City should be paid timely. Cash balances could be understated due to these outstanding checks. Non-compliance with New Mexico State Statutes and the Administrative Code subjects the governing board and management to penalties and punishment defined by state statute.

Cause – For years, the City has interpreted the Section 7-8A of the New Mexico State Statutes incorrectly. It will take a considerable amount of City time to collect the required information on the stale checks in question. The City failed to void checks on a timely basis, at least yearly, and over time the amount has grown, continues to grow, and will continue to grow until the City complies with the applicable requirements.

Recommendation – We recommend the City review their outstanding check register as of the end of the fiscal year to determine which checks meet the requirements of state statutes. Once this is determined, City staff needs to review and comply with the Uniform Unclaimed Property Act. All other outstanding checks should be voided and the City’s bank reconciliations to be adjusted.

Views of Responsible Officials and Planned Corrective Actions – The City is aware of this deficiency, but has focused on rectifying other noted findings from previous years. Work has commenced on gathering the information and documents necessary to complete this process in the current fiscal year.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2007-02 – Preparation of Financial Statements and Disclosures

Statement of Condition – The City relies upon their independent auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The City requires the independent auditors gather necessary information (grant or taxes (state shared and local) receivables, accounts payable, and bond issuance amounts) in order to convert their cash basis accounting information into financial statements prepared in accordance with GAAP.

The City failed to provide the amount of grants (intergovernmental) receivable at year end totaling, \$4,733,330 and taxes receivable totaling \$4,630,357.

Accounts payable totaled \$1,212,478 at year end; however, of this amount, the City provided the auditors with only \$576,821 and the auditors determined the remaining balance of \$635,657.

The City failed to record the bond issuance costs activity as well as the cash bond reserve amount as per the bond covenant.

Criteria – Auditing standards adopted in the United States of America in particular Statement on Auditing Standards (SAS) 109, paragraph 41 states the following: *“Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives.”*

Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with GAAP. Financial statements prepared in accordance with GAAP include all required statements of financial position, statements of changes in financial position, changes in cash flow, and notes.

SAS 112 paragraph 11 provides examples of factors that may affect the likelihood that a control, or combination of controls could fail to prevent or detect a misstatement. One such example is *“The nature of the financial statements accounts, disclosures, and assertions involved.”*

SAS 112 paragraph 19 provides a list of indicators of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. One such example is *“Ineffective oversight of the entity’s financial reporting and internal control by those charged with governance.”*

Effect – Since City personnel did not prepare certain aspects of the financial statements, there is an increased risk that a misstatement of the City’s financial statements, that is more than inconsequential, will not be prevented or detected. Besides the increased risk of a material misstatement, the auditor may lose independence and be unable to express an opinion on the financial statements since they prepared such statements.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2007-02 – Preparation of Financial Statements and Disclosures (continued)

Cause – Although there have been improvements in the number of items provided by the City for the audit, the City still lacks providing all material and essential information to the auditors for the audit and preparation of the City’s financial statements.

Recommendation – We recommend the Director of Finance and the Assistant Treasurer to continue to work with the finance department concerning all aspects of the financial statements with a continued emphasis on preparing year end reports and amounts for the audit within sixty days after year end.

Views of Responsible Officials and Planned Corrective Actions – The City is making efforts to achieve this goal. Last year, City staff prepared the uncompensated absences and the reconciliation of the salaries to the federal 941 forms. This year, City staff prepared those same items but also prepared the accrued salaries, transit receivables, ambulance receivables, utility receivables, deferred revenues, fixed asset reconciliation, and the schedule of expenditures of federal awards. There were only two remaining items that the City failed to prepare (general accounts receivable and accounts payable), which will be prepared this next year.

Item 2008-02 – Customer Utility Deposits

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

- The City has failed to reconcile the customer utility deposit balance of \$806,410 with the individual customer utility deposit cards.
- The City has failed to review the outstanding check register to determine if any of the outstanding checks are refunds for utility deposits and to follow up with the customer concerning the depositing of the check.
- The City did not print a report indicating the amount of the individual customer utility deposits, by account, to reconcile against the customer utility deposit cards.
- We noted eight instances of the sixty deposit cards tested, where the account number in the computer does not tie to the account number listed on the card.
- We noted eighteen instances where the account has been closed and the card remains in the active files with a deposit amount still owed to the customer.

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2008-02 – Customer Utility Deposits (continued)

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

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

Cause – In years past, the customer utility deposit cards were placed in an index card filing cabinet. The City failed to maintain the cards on a regular basis. Without maintaining the cards, accounts which have been closed, deposit applied to or payment issued, were not removed to the dormant files and/or storage and remained with the active cards. Of the last couple of years, the City's finance department has improved the situation. The cards have been moved to a card catalog cabinet, sorted by name and account, and the cards for storage were removed and placed in a box and stored. However, additional work still needs to be performed so the City can have an accurate liability balance.

Recommendation – We recommend the City's finance department begin a reconciliation of any outstanding checks payable to customers for refunded deposits; if any of those accounts are still activity in the accounting system and show a liability to the City; and if the customer deposit card has been moved to the dormant files. Once the review is complete, checks should be issued to all accounts which have been closed and money is owed to the customer. Furthermore, the City needs to review all customer deposit cards to ensure the correct account number is listed on the card.

Views of Responsible Officials and Planned Corrective Actions – The City staff has been working on the deposit card files for the last three years. The average number of deposits refunded each year in the previous four years was 1,450. The number of deposits refunded in the fiscal year under review was 2,957, almost double the refunds. The number of deposits refunded for the current fiscal year as of November 30, 2009, was over 2,250. With an anticipation of 4,500 to 5,000 deposits being refunded in the current fiscal year, the project is anticipated to be completed or near completion by June 30, 2010.

Item 2008-03 – Grant Management

Statement of Condition – During our review of grants receivable at year end, we discovered the City had state grant receivables totaling \$5,090,414. These receivables included expenses incurred by the City for various grants since the 2006-2007 fiscal year. We noted the following conditions:

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2008-03 – Grant Management (continued)

Statement of Condition (continued) –

- The Special Projects Coordinator failed to have the City Administrator sign off on fifteen grant reimbursement requests that total \$2,305,561. Of the twenty-five requests for reimbursement that total \$5,090,414, three reimbursements for \$500,000 or more did not get reviewed or approved by the City Administrator.
- As of the end of the fiscal year, the State Legislative Fund had a negative cash balance of \$4,401,818. The State Legislative Fund records the majority of the City's grant activity. The Joint Water & Sewer Fund has to cover this deficit balance until the reimbursements are completed, reviewed, approved, and received.
- The Special Projects Coordinator failed to follow the compliance requirements for the Cooperative Project Agreement between New Mexico Department of Transportation (NMDOT) and the City.

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

Most, if not all grants, both federal and state, received by the City are a reimbursement grant, which requires the City to pay for the expense prior to reimbursement. The reimbursement requests should be submitted within a month of the City incurring the expense.

Furthermore, the City's Monthly Reimbursement Request Coversheet requires three signatures, prior to the submission of the grant reimbursement request. The three signatures needed on the City's Coversheet are: "Prepared by", "Reviewed by Project Coordinator", and "Approved by the City Administrator."

The Cooperative Project Agreement between NMDOT and the City states that reports are to be filed on a monthly basis with NMDOT reflecting the request for reimbursement of expenses incurred. The agreement between the NMDOT and the City was dated September 16, 2008. The City expended funds relating to the agreement as follows: January through March 2009 total expenses were \$577,547, which was requested in May 2009; and April through June 2009 total expenses were \$1,078,717 which was requested in August 2009.

No other reports were filed with NMDOT from the period of the contract in September 2008 through August 2009, except the two previously mentioned reimbursement requests.

Effect – By not requesting timely reimbursements, the City is required to have proceeds from the 2009 Water & Sewer Bonds cover expenses for the State Legislative Fund until the reimbursements are received.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2008-03 – Grant Management (continued)

Effect (continued) – Currently, the Water & Sewer Fund has the ability to cover those expenses, but this may not always be the case. Furthermore, by not following the compliance requirements of the agreements, the City may expend monies on projects and not be able to obtain reimbursement from the funding source.

Cause – There is a lack of communication between the Special Projects Coordinator and the finance department to ensure various grants and reimbursements are being completed and submitted on a timely basis.

Recommendation – We recommend the City review the policies and procedures concerning timely grant reimbursements. We recommend the Special Projects Coordinator provide monthly, or at least quarterly, updates to the City Administrator and the Director of Finance as to the status of various projects and the projected reimbursement dates. We recommend the Special Projects Coordinator to work more closely with the finance department to ensure all expenses are paid timely, and all reimbursement requests are submitted timely. We recommend all grant reimbursements, as per the City's Monthly Reimbursement Request Coversheet, be reviewed, approved, and signed by the City Administrator prior to submission of the reimbursement request. Furthermore, we recommend the Special Projects Coordinator review all grant documents to ensure that all reporting requirements are being met.

Views of Responsible Officials and Planned Corrective Actions – As stated above, the majority of grants received by the City is on a reimbursement basis, and therefore requires a negative balance prior to the receipt of any reimbursement. In addition, to this requirement, certain grants stipulate minimum levels of expenditure before reimbursement requests can be submitted. Further, most federal grant reimbursement requests are now submitted in an electronic format, negating standard city procedures.

This past fiscal year has been unique in that the state of New Mexico's attempts to balance its budget has required detailed reports on all outstanding grant amounts. There were three separate requests for such tabulations, which required an inordinate amount of the special project coordinator's time. During the preceding budget development process, additional personnel were requested to assist the special project coordinator in her duties due to an increased workload associated with the City's capital improvement plan. A part-time student intern was hired to assist in this need; however, it has not proven to be adequate due to the ever increasing reporting requirements.

The special projects coordinator has already begun obtaining all signatures for all submissions, even for the electronic submissions, and is currently up-to-date on all reimbursement requests. We will continue to strive to obtain timely reimbursements, and will again request assistance for this office during the upcoming budget process.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2008-04 – Public Employee Retirement Association Reporting

Statement of Condition – During our testing of the New Mexico Public Employee Retirement Association (PERA) contributions, the City failed to report \$99,806 of wages. The wages not reported to PERA were not subject to PERA contributions.

Criteria – The Public Employees Retirement Act (10-11-1 to 10-11-38 NMSA 1978) establishes the public employee retirement system. PERA membership is mandatory under the PERA Act, unless membership is specifically excluded by statute. Each government agency participating is responsible for reporting 100% of payroll to PERA.

Effect – By not reporting all wages, the City could be missing wages and PERA contributions for employees. This could affect the employee's retirement status, classification, and the retirement amount available. Furthermore, non-compliance with the New Mexico State statutes could subject officials and employees to penalties and fines required by State statutes.

Cause – The City failed to report wages for employees who were newly hired in November 2008 and were classified as part time or seasonal. However, the City failed to input the correct information into the payroll system, thereby affecting the gross wages that should have been submitted to PERA.

Recommendation – We recommend the City review the internal controls over payroll and PERA contributions to provide reasonable assurance of compliance with laws and regulations. The reconciliation between the payroll register and the PERA contribution reports needs to include all wages paid to all employees of the City during the fiscal year.

View of Responsible Officials and Planned Corrective Actions – The employees affected by the stated deficiency were in positions that did not qualify for PERA benefits. Despite the stated condition, the feared effect did not occur. Procedures are and were in place to prevent this issue; however, this situation was a direct result of turnover in the payroll department.

Item 2008-06 – Submission of Audit Report

Statement of Condition – The audit report for the fiscal year ended June 30, 2009, was due to the New Mexico State Auditor's office by December 1, 2009. The audit report was delivered on March 16, 2010 to the New Mexico State Auditor's office.

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS

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

Cause – The City was unable to timely provide the reconciliation of the capital assets, including the subsidiary records until, November 21, 2009; the schedule of expenditures of federal awards until November 25, 2009; and the landfill usage and post closure costs information, until November 30, 2009.

Recommendation – We recommend the City reconcile their capital asset subsidiary records and prepare the schedule of expenditures of federal awards prior the arrival of the auditing firm or no later than October 1st, whichever is earlier. Furthermore, we recommend the public works department to determine the landfill usage for the prior year and the post closure costs prior to the arrival of the auditing firm or no later than October 1st, whichever is earlier.

Views of Responsible Officials and Planned Corrective Actions – Since the burden of producing financial statements has been shifted upon the entity, this has increased work load yet the deadline has remained the same. It is in the interest of the City to submit its audit on time, and we will continue to strive to do so.

Item 2009-01 – Utility Billing Customer Complaint Log

Statement of Condition – During our testing of cash receipts, it was discovered the City was not maintaining the customer complaint log in an efficient and orderly fashion. Moreover, the customers' files were not adequately documented with the necessary information needed to assess whether the customer's complaint was resolved. From the sample selection of twenty five (25) selected, fifteen (15) complaints were not documented sufficiently to determine if the complaint was resolved.

Criteria – The Customer Complaint Resolution Procedures, established by the City, was developed to aid both, the customer and employee, with any discrepancies that may arise from monthly utility billings. These logs are then used to determine whether any action was taken by the City in resolving the matter.

Effect – By the City failing to comply with their customer complaint log policy, they could impair their continuing relationship with the citizens. Without the proper documentation illustrating the customer's complaint, a resolution cannot be heard, researched or reconciled within a timely manner.

Cause – The City employees within the Utility Billing Department were apathetic and did not comply with the internal control policies set forth by the City. Based on the results from our testing, it was apparent that some of the employees were aware of the customer complaint log policy, but failed to follow the City's procedures as they relate to the documentation of the complaint.

Recommendation – We recommend the director of finance and assistant treasurer review the City's policies and procedures as they relate to the customer complaint log.

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CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2009-01 – Utility Billing Customer Complaint Log (continued)

Recommendation (continued) – Furthermore, we recommend the City’s director of finance and assistant treasurer train all finance department staff concerning the proper procedures concerning the customer complaint log.

Views of Responsible Officials and Planned Corrective Actions – Effective July 2009, a supervisor has been assigned to the utility billing department to monitor resolution of issues. The City is currently updating its website to include a citizen request and complaint module that will allow for the electronic tracking of complaints and their associated resolutions.

**SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS
– FEDERAL TRANSIT – FORMULA GRANTS CFDA NO. 20.507
AND WATER AND ENERGY APPROPRIATION ACT CFDA NO. 81.502**

None.

SECTION IV – PRIOR YEARS’ AUDIT FINDINGS

Item 2007-01 – Stale Checks – In the previous year’s audit report, it was noted the City has outstanding checks which were not managed under the New Mexico escheat laws. The finding has not been resolved and is updated and repeated.

Item 2007-02 – Preparation of Financial Statements – In the previous year’s audit report, it was noted the financial statements and related note disclosures are not being prepared by the City. The auditing firm prepared the financial statements. The finding has not been resolved and is updated and repeated.

Item 2007-04 – Capital Assets and Depreciation Tracking System – In the previous year’s audit report, it was noted the tracking system reports does not include all assets; the system is cumbersome, and the reports do not print in a manner that is easily traceable. The City has made improvements concerning their capital assets. The finding has been resolved.

Item 2008-01 – Ambulance and Transit Receivables – In the previous year’s audit report, it was noted the ambulance and transit receivables for the City were not being recorded on the City’s financial statements. The City has recorded the ambulance and transit receivable during the current fiscal year. The finding has been resolved.

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION IV – PRIOR YEARS’ AUDIT FINDINGS

Item 2008-03 – Grant Management – In the previous year’s audit report, it was noted grant reimbursement requests were not being submitted on a timely basis, after expenses have been incurred. During the fiscal year, the City continued not to request grant reimbursements on a timely basis. The finding has not been resolved and is updated and repeated.

Item 2008-04 – Public Employee Retirement Association Reporting – In the previous year’s audit report, it was noted not all gross wages was being reported to PERA. During the fiscal year, the City failed to report all gross wages to PERA. The finding has not been resolved and is updated and repeated.

Item 2008-05 – Cash & Donation Boxes – In the previous year’s audit report, it was noted the City had more cash boxes from departments around the City than the finance department knew of. Furthermore, the museum has a locked donation box where patrons donate money, cash or check, to the museum. Those funds were not deposited timely. The City’s finance department has recorded all of the cash boxes on City property and the museum deposits are being deposited timely. The finding has been resolved.

Item 2008-06 – Submission of Audit Report – In the previous year’s audit report, it was noted the audit report was not submitted timely to the State Auditor’s office. During the fiscal year, the audit report was not submitted timely to the State Auditor’s office. The finding has not been resolved and is updated and repeated.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
EXIT CONFERENCE AND
PREPARATION OF FINANCIAL STATEMENTS
JUNE 30, 2009**

**CITY OF CARLSBAD
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2009, was discussed during the exit conference held on February 24, 2010. Present for the City were Bob Forrest, mayor; Jeff Diamond, city councilor; Harry Burgess, city administrator; Monica D. Harris, director of finance/city treasurer and Robin Kirby, assistant city treasurer. Present for the auditing firm were Ed Fierro, CPA and Dominic Fierro, audit manager.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the financial statements of the City of Carlsbad as of June 30, 2009. The City's upper management have reviewed and approved the financial statements and related notes, and they believe that the City's books and records adequately support them.