

**STATE OF NEW MEXICO
CITY OF CARLSBAD**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORTS**

JUNE 30, 2011

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CITY OF CARLSBAD
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**STATE OF NEW MEXICO
CITY OF CARLSBAD
DIRECTORY OF OFFICIALS
JUNE 30, 2011**

ELECTED OFFICIALS

Dale Janway.....	Mayor
Wesley A. Carter	Mayor Pro-Tem
Paul C. Aguilar	City Councilor
J.R. Doportó	City Councilor
Richard "Dick" Doss	City Councilor
Sandra K. Nunley	City Councilor
Nick G. Salcido.....	City Councilor
Judith Waters	City Councilor
Janell E. Whitlock	City Councilor

DEPARTMENT HEADS

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

Ed Fierro, CPA • Rose Fierro, CPA

527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.comIndependent 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, the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue fund of the City of Carlsbad, New Mexico as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise, internal service funds, and the budgetary comparisons for the major capital project fund, and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the City of Carlsbad's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 of Carlsbad as of June 30, 2011, 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 of Carlsbad, as of June 30, 2011, and 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. Additionally, in our opinion, the general fund, WIPP acceleration impact fund, GRT capital outlay fund, major enterprise funds and all nonmajor funds referred to previously present fairly, in all material respects, the budgetary comparison for each fund of the City of Carlsbad for the year ended June 30, 2011, 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 December 30, 2011, on our consideration of the City of Carlsbad's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters.

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

The City of Carlsbad has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements and the 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 other supplemental 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 has 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.

Fierro + Fierro, P.A.

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

December 30, 2011

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 28,324,540	\$ 8,325,097	\$ 36,649,637
Receivables, net	7,599,336	3,714,969	11,314,305
Inventory	-	386,884	386,884
Prepaid expenses	-	15,362	15,362
Internal balances	(4,491)	4,491	-
Restricted cash	1,200,167	10,866,476	12,066,643
Restricted investments	305,610	6,591,374	6,896,984
Capital assets:			
Land and construction in progress	2,522,736	5,973,052	8,495,788
Other capital assets, net of depreciation	71,270,126	36,710,744	107,980,870
Total capital assets	73,792,862	42,683,796	116,476,658
Unamortized bond issuance costs including original issue discount	182,648	805,634	988,282
Total assets	111,400,672	73,394,083	184,794,755
LIABILITIES			
Accounts payable	1,302,016	1,965,759	3,267,775
Accrued salaries	1,071,494	263,041	1,334,535
Accrued liabilities	-	249	249
Accrued interest payable	67,252	83,557	150,809
Deferred revenues	209,472	-	209,472
Deposits payable	100	591,358	591,458
Long-term liabilities:			
Due within one year	1,326,605	925,327	2,251,932
Due in more than one year	9,700,811	24,262,973	33,963,784
Total liabilities	13,677,750	28,092,264	41,770,014
NET ASSETS			
Invested in capital assets, net of related debt	63,823,197	26,441,644	90,264,841
Restricted:			
Debt service	305,610	2,782,597	3,088,207
Endowment:			
Expendable	-	8,114,552	8,114,552
Unrestricted	33,594,115	7,963,026	41,557,141
Total net assets	\$ 97,722,922	\$ 45,301,819	\$ 143,024,741

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, 2011**

Functions/Programs	Expenses	Program Revenues			Primary Government Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 5,295,566	\$ 417,069	\$ 70,319	\$ -	\$ (4,808,178)	\$ -	\$ (4,808,178)
Public safety	16,025,900	1,243,795	1,162,681	77,754	(13,541,670)	-	(13,541,670)
Public works	6,733,892	225	30,000	4,947,741	(1,755,926)	-	(1,755,926)
Culture and recreation	5,883,812	373,696	523,566	765,479	(4,221,071)	-	(4,221,071)
Health and welfare	746,740	1,760	-	92,809	(652,171)	-	(652,171)
Economic development	111,180	-	-	39,420	(71,760)	-	(71,760)
Interest on long-term debt	456,854	-	-	-	(456,854)	-	(456,854)
Total governmental activities	35,253,944	2,036,545	1,786,566	5,923,203	(25,507,630)	-	(25,507,630)
Business-type activities:							
Water	4,698,429	9,102,805	-	-	-	4,404,376	4,404,376
Solid waste	2,613,492	3,663,017	111,000	-	-	1,160,525	1,160,525
Wastewater	2,526,208	2,757,288	-	-	-	231,080	231,080
Museum	14,384	7,858	-	-	-	(6,526)	(6,526)
Municipal transit	832,658	69,968	354,985	32,520	-	(375,185)	(375,185)
Performing arts center	224,658	11,290	-	-	-	(213,368)	(213,368)
Cemetery	381,702	131,376	294,165	-	-	43,839	43,839
Interest on long-term debt	945,071	-	-	-	-	(945,071)	(945,071)
Total business-type activities	12,236,602	15,743,602	760,150	32,520	-	4,299,670	4,299,670
Total primary government	\$ 47,490,546	\$ 17,780,147	\$ 2,546,716	\$ 5,955,723	(25,507,630)	4,299,670	(21,207,960)
General Revenues:							
Gross receipts taxes					28,546,385	550,441	29,096,826
Property taxes, levied for general purposes					2,174,808	-	2,174,808
Lodgers' taxes					872,430	-	872,430
Franchise taxes					747,496	-	747,496
Public service taxes					456,342	-	456,342
Investment income					18,295	124,941	143,236
Donations					62,084	64,781	126,865
Insurance recoveries					22,112	9,725	31,837
Special Item - gain on disposal of assets					235,694	303,671	539,365
Transfers					177,463	(177,463)	-
Total general revenues, special items, and transfers					33,313,109	876,096	34,189,205
Changes in net assets					7,805,479	5,175,766	12,981,245
Net assets, beginning of year					89,229,222	40,112,476	129,341,698
Restatements					688,221	13,577	701,798
Net assets, beginning of year, restated					89,917,443	40,126,053	130,043,496
Net assets, end of year					\$ 97,722,922	\$ 45,301,819	\$ 143,024,741

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, 2011**

	General Fund	WIPP Acceleration Impact Fund	GRT Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 13,445,323	\$ 161,431	\$ 5,877,127	\$ 7,516,409	\$ 27,000,290
Receivables, net	5,077,337	1,096,764	334,381	892,720	7,401,202
Due from other funds	-	120,000	-	89,610	209,610
Restricted:					
Investments	-	-	-	305,610	305,610
Total assets	<u>\$ 18,522,660</u>	<u>\$ 1,378,195</u>	<u>\$ 6,211,508</u>	<u>\$ 8,804,349</u>	<u>\$ 34,916,712</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 236,429	\$ 681,607	\$ 164,911	\$ 171,396	\$ 1,254,343
Accrued salaries	1,046,536	-	-	24,958	1,071,494
Accrued interest payable	-	-	-	18,751	18,751
Due to others	-	-	-	100	100
Due to other funds	4,985	-	-	209,610	214,595
Deferred revenues	133,093	141,531	-	67,249	341,873
Total liabilities	1,421,043	823,138	164,911	492,064	2,901,156
Fund Balances:					
Reserved for:					
Debt service	-	-	-	2,318,571	2,318,571
State mandated per statutes	-	555,057	-	623,166	1,178,223
Committed for:					
One twelfth budget reserve	2,594,303	-	-	-	2,594,303
Subsequent years' expenditures	8,272,233	-	6,046,597	5,280,639	19,599,469
Assigned	-	-	-	114,200	114,200
Unassigned	6,235,081	-	-	(24,291)	6,210,790
Total fund balances	<u>17,101,617</u>	<u>555,057</u>	<u>6,046,597</u>	<u>8,312,285</u>	<u>32,015,556</u>
Total liabilities and fund balances	<u>\$ 18,522,660</u>	<u>\$ 1,378,195</u>	<u>\$ 6,211,508</u>	<u>\$ 8,804,349</u>	<u>\$ 34,916,712</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, 2011

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

Total fund balance governmental funds (page six)	\$	32,015,556
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the governmental funds.		73,792,862
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.		132,895
Certain accrued interest expenses are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(48,501)
Long-term liabilities, including notes payable, that are not due and payable in the current period, and, therefore, are not reported in the governmental funds.		(11,027,416)
Unamortized bond issuance costs, including original issue discount are not expensed in the current period. Those costs are capitalized, in the statement of net assets and are not reported in the governmental funds.		182,648
Residual balances of the internal service funds are included within the governmental activities and are not reported in the governmental funds.		<u>2,674,878</u>
Net assets of governmental activities (page four)	\$	<u><u>97,722,922</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, 2011

	General Fund	WIPP Acceleration Impact Fund	GRT Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Gross receipts taxes	\$ 25,478,709	\$ -	\$ 1,967,646	\$ 1,100,030	\$ 28,546,385
Property taxes	2,041,913	-	-	-	2,041,913
Franchise taxes	747,496	-	-	-	747,496
Lodgers' taxes	-	-	-	872,430	872,430
Public service taxes	5,437	-	-	450,905	456,342
Intergovernmental	801,273	3,184,259	-	3,178,777	7,164,309
Charges for services	1,306,927	-	-	137,848	1,444,775
Licenses and permits	241,240	-	-	77,221	318,461
Fines and forfeitures	273,309	-	-	-	273,309
Interest	11,657	-	-	2,765	14,422
Miscellaneous	58,312	-	-	266,272	324,584
Total revenues	30,966,273	3,184,259	1,967,646	6,086,248	42,204,426
Expenditures:					
Current:					
General government	3,913,551	-	-	-	3,913,551
Public safety	13,366,259	-	-	418,077	13,784,336
Public works	4,059,922	-	-	644,858	4,704,780
Culture and recreation	3,480,985	-	-	1,405,624	4,886,609
Health and welfare	254,529	450,000	-	53,982	758,511
Economic development	-	69,829	-	41,351	111,180
Capital outlay	454,929	1,100,113	1,332,531	2,618,902	5,506,475
Debt service:					
Principal	-	-	-	2,028,888	2,028,888
Interest	-	-	-	455,661	455,661
Total expenditures	25,530,175	1,619,942	1,332,531	7,667,343	36,149,991
Excess (deficiency) of revenues over expenditures	5,436,098	1,564,317	635,115	(1,581,095)	6,054,435
Other Financing Sources (Uses):					
Transfers in	3,723,951	120,000	-	5,098,969	8,942,920
Transfers (out)	(3,730,877)	(1,684,317)	(1,607,807)	(2,708,202)	(9,731,203)
Total other financing sources (uses)	(6,926)	(1,564,317)	(1,607,807)	2,390,767	(788,283)
Net change in fund balances	5,429,172	-	(972,692)	809,672	5,266,152
Fund balance, beginning of year	11,672,445	555,057	7,019,289	7,474,749	26,721,540
Restatements	-	-	-	27,864	27,864
Fund balance, beginning of year, restated	11,672,445	555,057	7,019,289	7,502,613	26,749,404
Fund balance, end of year	\$ 17,101,617	\$ 555,057	\$ 6,046,597	\$ 8,312,285	\$ 32,015,556

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, 2011

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

Net change in fund balances total governmental funds (page eight)	\$ 5,266,152
Net change in net assets of internal service funds (page thirteen)	(1,634,223)
Governmental funds report capital outlay as expenditures in the amount of \$5,506,475; however, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense in the amount of \$3,370,616; therefore, the net adjustment is \$2,135,859.	2,135,859
In the prior year, accounts payable amounts, in respect to the capital assets, were not recorded in the amount of \$706,916. During the current year, the City restated those amounts within the governmental funds; therefore, the net adjustment is \$706,916.	706,916
In the prior year, intergovernmental receivable was overstated in the amount of \$16,854. During the current year, the City restated those amounts within the governmental funds; therefore, the net adjustment is \$16,854.	(16,854)
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.	(4,694)
Some of the City's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as deferred revenue in the funds. At June 30, 2010, deferred property taxes amounted to \$138,975. The deferred property taxes for the current fiscal year amounted to \$132,895; therefore, the net adjustment is \$6,080.	(6,080)
Accrued interest expense not due within thirty days after year-end is not considered in the current period and is not reported in the governmental funds. The decrease of the accrued interest liability from the previous year decreases the interest expense within the statement of activities.	9,001
In the prior year, the City recorded deferred grant revenues in the amount of \$875,998. During the current year, the City earned a portion of those deferred revenues in the amount of \$695,183; therefore, the net adjustment is \$695,183.	(695,183)
The repayment of principal of long-term debt consumes the current financial resources of the governmental funds; however, is not recorded as an expense within the statement of activities.	2,028,888
During the current year, the City recorded amortization expense concerning the bond issuance costs. The expense is reflected within the statement of activities and the expense does not use a current financial resource, and is not recorded within the governmental funds.	(10,194)
Decrease in the compensated absences liability is reflected as an expense within the statement of activities and the expense does not use a current financial, and is not recorded within the governmental funds.	25,891
Net change in net assets - government-wide financial statements (page five)	<u>\$ 7,805,479</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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Gross receipts taxes	\$ 19,815,510	\$ 19,815,510	\$ 25,158,796	\$ 5,343,286
Property taxes	2,012,106	2,012,106	2,039,490	27,384
Franchise taxes	749,000	749,000	729,049	(19,951)
Public service taxes	-	-	10,325	10,325
Intergovernmental	841,052	890,488	839,492	(50,996)
Charges for services	1,022,550	1,058,550	1,255,027	196,477
Licenses and permits	172,850	172,850	240,998	68,148
Fines and forfeitures	227,000	227,000	273,309	46,309
Interest	12,000	12,000	13,127	1,127
Miscellaneous	200	1,200	1,544	344
Total revenues	24,852,268	24,938,704	30,561,157	5,622,453
Expenditures:				
Current:				
General government	4,460,026	4,612,626	3,846,404	766,222
Public safety	13,789,945	14,179,118	13,286,293	892,825
Public works	4,149,645	4,281,649	4,027,233	254,416
Culture and recreation	3,568,060	3,650,764	3,433,869	216,895
Health and welfare	198,992	229,574	227,345	2,229
Capital outlay	1,041,560	1,057,823	562,859	494,964
Total expenditures	27,208,228	28,011,554	25,384,003	2,627,551
Excess (deficiency) of revenues over expenditures	(2,355,960)	(3,072,850)	5,177,154	8,250,004
Other Financing Sources (Uses):				
Transfers in	2,916,490	4,718,542	3,718,541	(1,000,001)
Transfers (out)	(2,455,260)	(3,725,467)	(3,725,467)	-
Total other financing sources (uses)	461,230	993,075	(6,926)	(1,000,001)
Special Item:				
Proceeds from sale of assets	100	100	15,268	15,168
Net change in cash balance	(1,894,630)	(2,079,675)	5,185,496	7,265,171
Cash balance, beginning of year	8,259,827	8,259,827	8,259,827	-
Cash balance, end of year	\$ 6,365,197	\$ 6,180,152	\$ 13,445,323	\$ 7,265,171

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
WIPP ACCELERATION IMPACT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 1,051,429	\$ 8,901,429	\$ 2,600,000	\$ (6,301,429)
Expenditures:				
Current:				
Health and welfare	-	450,000	450,000	-
Economic development	211,359	211,359	64,840	146,519
Capital outlay	1,193,417	8,593,417	2,277,077	6,316,340
Total expenditures	1,404,776	9,254,776	2,791,917	6,462,859
Net change in cash balance	(353,347)	(353,347)	(191,917)	161,430
Cash balance, beginning of year	353,348	353,348	353,348	-
Cash balance, end of year	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 161,431</u>	<u>\$ 161,430</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, 2011

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Solid Waste Fund	Joint Water and Sewer Fund	Other Enterprise Funds	Total	
Assets:					
Current assets:					
Cash	\$ 3,137,861	\$ 4,577,495	\$ 609,741	\$ 8,325,097	\$ 1,324,250
Receivables, net	557,916	3,097,579	59,474	3,714,969	198,134
Due from other funds	-	-	4,491	4,491	494
Inventory	-	386,884	-	386,884	-
Prepaid expenses	-	15,362	-	15,362	-
Total current assets	3,695,777	8,077,320	673,706	12,446,803	1,522,878
Noncurrent assets:					
Restricted cash	-	10,866,476	-	10,866,476	1,200,167
Restricted investments	54,965	6,536,409	-	6,591,374	-
Capital assets:					
Land	10,000	1,047,453	201,477	1,258,930	-
Construction in progress	1,037,330	3,535,867	140,925	4,714,122	-
Buildings	-	-	3,357,228	3,357,228	-
Improvements	-	19,849,705	304,068	20,153,773	-
Utility system and facilities	3,319,339	33,544,810	-	36,864,149	-
Equipment	3,131,178	5,156,044	860,853	9,148,075	-
Less accumulated depreciation	(5,120,947)	(26,012,893)	(1,678,641)	(32,812,481)	-
Total capital assets, net	2,376,900	37,120,986	3,185,910	42,683,796	-
Unamortized bond issuance costs including original issue discount	-	805,634	-	805,634	-
Total noncurrent assets	2,431,865	55,329,505	3,185,910	60,947,280	1,200,167
Total assets	6,127,642	63,406,825	3,859,616	73,394,083	2,723,045
Liabilities:					
Current liabilities:					
Accounts payable	48,024	1,886,248	31,487	1,965,759	47,673
Accrued salaries	68,203	161,875	32,963	263,041	-
Accrued liabilities	-	249	-	249	-
Accrued interest payable	1,051	82,506	-	83,557	-
Deferred revenues	-	-	-	-	494
Customer deposits	-	591,358	-	591,358	-
Current maturities of:					
Bonds payable	-	800,000	-	800,000	-
Notes payable	58,841	-	-	58,841	-
Compensated absences	18,966	39,312	8,208	66,486	-
Total current liabilities	195,085	3,561,548	72,658	3,829,291	48,167
Noncurrent liabilities:					
Bonds payable	-	18,965,000	-	18,965,000	-
Notes payable	124,167	4,479,701	-	4,603,868	-
Compensated absences	27,788	45,575	6,043	79,406	-
Landfill closure and post-closure	614,699	-	-	614,699	-
Total noncurrent liabilities	766,654	23,490,276	6,043	24,262,973	-
Total liabilities	961,739	27,051,824	78,701	28,092,264	48,167
Net Assets:					
Invested in capital assets, net of related debt	2,193,892	21,061,842	3,185,910	26,441,644	-
Restricted:					
Debt service	54,965	2,727,632	-	2,782,597	-
Endowment:					
Expendable	-	8,114,552	-	8,114,552	-
Unrestricted	2,917,046	4,450,975	595,005	7,963,026	2,674,878
Total net assets	<u>\$ 5,165,903</u>	<u>\$ 36,355,001</u>	<u>\$ 3,780,915</u>	<u>\$ 45,301,819</u>	<u>\$ 2,674,878</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, 2011

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Solid Waste Fund	Joint Water and Sewer Fund	Other Enterprise Funds	Total	
Operating Revenues:					
Charges for services	\$ 3,663,017	\$ 11,860,093	\$ 220,492	\$ 15,743,602	\$ 3,512,810
Operating Expenses:					
Personnel services	1,310,048	3,254,793	614,703	5,179,544	-
Utilities	93	788,876	53,075	842,044	-
Contractual services	56,668	247,576	416,261	720,505	505,334
Repairs and maintenance	326,388	649,901	30,316	1,006,605	-
Insurance claims and expenses	-	-	-	-	5,527,652
Other operating expenses	686,543	743,093	135,075	1,564,711	83,666
Depreciation and amortization	233,752	1,540,398	203,972	1,978,122	-
Total operating expenses	<u>2,613,492</u>	<u>7,224,637</u>	<u>1,453,402</u>	<u>11,291,531</u>	<u>6,116,652</u>
Operating income (loss)	1,049,525	4,635,456	(1,232,910)	4,452,071	(2,603,842)
Non-Operating Revenues (Expenses):					
Gross receipts taxes	550,441	-	-	550,441	-
Intergovernmental	111,000	-	649,150	760,150	-
Interest income	2,835	182,682	-	185,517	3,873
Miscellaneous	2,356	2,480	69,670	74,506	-
Sale of assets	2,677	300,994	-	303,671	-
Unrealized loss on investments	-	(60,576)	-	(60,576)	-
Interest expense	(8,416)	(936,655)	-	(945,071)	-
Total non-operating revenues (expenses)	<u>660,893</u>	<u>(511,075)</u>	<u>718,820</u>	<u>868,638</u>	<u>3,873</u>
Income (loss) before capital contributions and transfers	1,710,418	4,124,381	(514,090)	5,320,709	(2,599,969)
Capital Contributions and Transfers:					
Capital contributions	-	-	32,520	32,520	-
Transfers in	1,546,378	2,029,213	945,614	4,521,205	1,760,320
Transfers (out)	(1,946,860)	(2,730,353)	(21,455)	(4,698,668)	(794,574)
Total capital contributions and transfers	<u>(400,482)</u>	<u>(701,140)</u>	<u>956,679</u>	<u>(144,943)</u>	<u>965,746</u>
Change in net assets	1,309,936	3,423,241	442,589	5,175,766	(1,634,223)
Net assets, beginning of year	3,855,967	32,918,183	3,338,326	40,112,476	4,309,101
Restatements	-	13,577	-	13,577	-
Net assets, beginning of year, restated	<u>3,855,967</u>	<u>32,931,760</u>	<u>3,338,326</u>	<u>40,126,053</u>	<u>4,309,101</u>
Net assets, end of year	<u>\$ 5,165,903</u>	<u>\$ 36,355,001</u>	<u>\$ 3,780,915</u>	<u>\$ 45,301,819</u>	<u>\$ 2,674,878</u>

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Solid Waste Fund	Joint Water and Sewer Fund	Other Enterprise Funds	Total	
Cash Flows From Operating Activities:					
Cash received from customers	\$ 3,661,095	\$ 11,507,771	\$ 218,792	\$ 15,387,658	\$ -
Internal activity - receipts from other funds	-	-	-	-	3,370,503
Cash payments to suppliers for goods and services	(1,318,192)	(2,521,204)	(624,928)	(4,464,324)	(6,180,939)
Cash payments to employees for services	(1,296,457)	(3,223,291)	(604,284)	(5,124,032)	-
Net cash provided (used) by operating activities	1,046,446	5,763,276	(1,010,420)	5,799,302	(2,810,436)
Cash Flows from Non-Capital and Related Financing Activities:					
Cash received from public service taxes	543,906	-	-	543,906	-
Cash received from intergovernmental sources	-	12,203	626,726	638,929	-
Cash received from capital contributions	-	-	32,520	32,520	-
Cash received from miscellaneous sources	-	2,058	69,670	71,728	-
Net change in customer deposits	-	(63,281)	-	(63,281)	-
Net transfers in (out)	(1,898,312)	(2,082,679)	613,571	(3,367,420)	965,746
Net cash provided (used) by non-capital and related financing activities	(1,354,406)	(2,131,699)	1,342,487	(2,143,618)	965,746
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets	(4,536)	(3,297,484)	(77,054)	(3,379,074)	-
Proceeds from the sale of assets	2,677	300,994	-	303,671	-
Bond proceeds	-	2,505,297	-	2,505,297	-
Principal payments on capital debt	(56,885)	(775,000)	-	(831,885)	-
Interest on capital debt	(8,416)	(848,106)	-	(856,522)	-
Net cash (used) by capital and related financing activities	(67,160)	(2,114,299)	(77,054)	(2,258,513)	-
Cash Flows from Investing Activities:					
Interest income	3,123	177,147	-	180,270	4,327
Purchase of investments	(1,844)	(452,702)	-	(454,546)	-
Repayment of loan from state legislative fund	-	508,004	-	508,004	-
Net cash provided by investing activities	1,279	232,449	-	233,728	4,327
Net increase (decrease) in cash	(373,841)	1,749,727	255,013	1,630,899	(1,840,363)
Cash and cash equivalents, beginning of year	2,810,904	11,083,642	354,728	14,249,274	3,864,780
Cash and cash equivalents, end of year	<u>\$ 2,437,063</u>	<u>\$ 12,833,369</u>	<u>\$ 609,741</u>	<u>\$ 15,880,173</u>	<u>\$ 2,024,417</u>
Displayed as:					
Cash	\$ 3,137,861	\$ 4,577,495	\$ 609,741	\$ 8,325,097	\$ 1,324,250
Restricted cash	-	10,866,476	-	10,866,476	1,200,167
Time deposits not considered cash equivalents	(700,798)	(2,610,602)	-	(3,311,400)	(500,000)
	<u>\$ 2,437,063</u>	<u>\$ 12,833,369</u>	<u>\$ 609,741</u>	<u>\$ 15,880,173</u>	<u>\$ 2,024,417</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Solid Waste Fund	Joint Water and Sewer Fund	Other Enterprise Funds	Total	
Reconciliation of Operating Income (Loss) to Net Cash					
Provided by Operating Activities:					
Operating income (loss)	\$ 1,049,525	\$ 4,635,456	\$ (1,232,910)	\$ 4,452,071	\$ (2,603,842)
Adjustment to Reconcile Operating Income (Loss) to Net					
Cash Provided by Operating Activities:					
Depreciation	233,752	1,540,398	203,972	1,978,122	-
Landfill monitoring	42,758	-	-	42,758	-
Changes in Assets and Liabilities:					
(Increase) decrease in accounts receivable	(1,922)	(235,053)	(1,679)	(238,654)	(141,227)
(Increase) in inventories	-	(77,273)	-	(77,273)	-
(Increase) in prepaid expenses	-	(15,362)	-	(15,362)	-
Increase (decrease) in accounts payable	(291,259)	(63,914)	9,779	(345,394)	(65,367)
Increase (decrease) in accrued salaries	8,018	22,102	7,668	37,788	-
Increase (decrease) in accrued liabilities	-	(52,477)	-	(52,477)	-
Increase (decrease) in compensated absences	5,574	9,399	2,750	17,723	-
Total adjustments	(3,079)	1,127,820	222,490	1,347,231	(206,594)
Net cash provided (used) by operating activities	<u>\$ 1,046,446</u>	<u>\$ 5,763,276</u>	<u>\$ (1,010,420)</u>	<u>\$ 5,799,302</u>	<u>\$ (2,810,436)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Carlsbad (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply GASB pronouncements issued after that date to its business-type activities and proprietary funds, the City has not chosen to do so.

A. Reporting Entity

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

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

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

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. Based on this criterion, there are no component units of the City during the fiscal year ended June 30, 2011.

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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements (continued)

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from the business-type activities, which rely on a significant extent on fees and charges for support. The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

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

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

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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. Revenues are provided through property, sales and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenues. Expenditures include all costs associated with the daily operation of the City, except for items included in other funds.

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

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

The City maintains twenty-two other individual governmental funds that are considered nonmajor funds; twelve are classified as special revenue funds; six are classified as capital project funds; and four are classified as debt service funds. A description of each nonmajor governmental fund is as follows:

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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. The fund is authorized by Enhanced 911 Section 63-9D-8, NMSA 1978.

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

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

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

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

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Special Revenue Funds (continued)

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

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

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

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

Capital Project Funds

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

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

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Project Funds (continued)

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

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

Debt Service Funds

The *sports complex fund* accounts for the receipts and disbursements for the construction of the City's Youth Sports Complex and the associated debt service, due to the New Mexico Finance Authority. The fund is authorized by City Council and is in conformance with loan covenants.

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

The *NM finance authority loan fund* accounts for the receipts and disbursements for the repayment of a loan to the New Mexico Finance Authority. Financing is provided from a New Mexico Finance Authority loan. The fund is authorized by City Council and is in conformance with loan covenants.

The *GRT capital outlay fund* accounts for the receipts and disbursements for the payment of the 2009 revenue bonds. Financing is provided by the general fund. The fund is authorized by City Council and is in conformance with bond covenants.

The City reports the following major business-type funds:

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

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

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

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CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Preparation (continued)

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

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

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

The *cemetery fund* accounts for the operation and maintenance of the City cemetery. Financing is provided through lot sales and fees for services. The funding is authorized by 3-40-1 through 3-40-9, NMSA 1978.

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

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

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

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

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

D. Budgets

Budgets for all funds are prepared by management and approved by the City Council and the New Mexico Department of Finance and Administration. The City Administrator is responsible for preparing the budget from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the city Council for approval by resolution.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets (continued)

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

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

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

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. All other investments are carried at fair market value using quoted market prices. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

2. Interfund Receivables and Payables

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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. Prepaid Items

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

5. Restricted Assets

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

6. Interfund Activity

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

7. Capital Assets

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

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

Net revenue bond interest cost incurred during construction is capitalized when material.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Capital Assets (continued)

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

8. Compensated Absences

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

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

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

9. Deferred Revenues

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Short-Term Obligations

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

11. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities within the statement of net assets. Bond premiums and discounts, 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 recognized bond premiums and discounts, as well as, bond issuance costs, during the period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service requirements.

12. 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.

13. Fund Equity Reservation and Designations

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

13. Fund Equity Reservation and Designations (continued)

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

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

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

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

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

F. Other Matters

1. Presentation

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

2. 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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Other Matters (continued)

3. Use of Estimates

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

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

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, 2011, 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:

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposited with Financial Institutions (continued)

	Per Institution	Reconciling Items	Per Financial Statements
Cash on hand	\$ -	\$ 3,031	\$ 3,031
Carlsbad National Bank	4,049,228	(44,815)	4,004,413
Pioneer Savings Bank	1,836,028	-	1,836,028
Wells Fargo Bank	28,652,004	(452,235)	28,199,769
Western Commerce Bank	14,835,546	(162,507)	14,673,039
Total cash deposits	<u>\$ 49,372,806</u>	<u>\$ (656,526)</u>	<u>\$ 48,716,280</u>

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

Statement of Net Assets:	
Cash	\$ 36,649,637
Restricted cash	<u>12,066,643</u>
Total cash reported on financial statements	<u>\$ 48,716,280</u>

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

	Carlsbad National Bank	Pioneer Savings Bank	Wells Fargo Bank	Western Commerce Bank
Total deposits in bank	\$ 4,049,228	\$ 1,836,028	\$ 28,652,004	\$ 14,835,546
Less FDIC coverage	<u>(500,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>
Uninsured public funds	3,549,228	1,586,028	28,152,004	14,335,546
Pledged collateral held by pledging bank's trust, but not in the City's name	<u>5,258,005</u>	<u>7,411,985</u>	<u>21,108,151</u>	<u>9,553,181</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,043,853</u>	<u>\$ 4,782,365</u>
Total pledged collateral	\$ 5,258,005	\$ 7,411,985	\$ 21,108,151	\$ 9,553,181
50% pledged collateral requirement per state statute	<u>(1,774,614)</u>	<u>(793,014)</u>	<u>(14,076,502)</u>	<u>(7,167,773)</u>
Pledged collateral (under) over the requirement	<u>\$ 3,483,391</u>	<u>\$ 6,618,971</u>	<u>\$ 7,031,649</u>	<u>\$ 2,385,408</u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD**
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposited with Financial Institutions (continued)

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. As of June 30, 2011, \$47,622,806 of the City’s bank balance of \$49,372,806 was exposed to custodial credit risk as follows:

	Carlsbad National Bank	Pioneer Savings Bank	Wells Fargo Bank	Western Commerce Bank	Total
Uninsured and collateral held by pledging bank’s trust dept. or agent not in the City’s name.	<u>\$ 3,549,228</u>	<u>\$ 1,586,028</u>	<u>\$ 28,152,004</u>	<u>\$ 14,335,546</u>	<u>\$ 47,622,806</u>

3. RESTRICTED INVESTMENTS

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

<u>Agency</u>	<u>Investment</u>	<u>Maturity</u>	<u>Fair Market Value</u>
NM State Treasurer	Investment Pool	N/A	\$ 135
Bank of NY Mellon Tr Co.	U.S. Treasury Fund	N/A	360,440
Wells Fargo Bank	U.S. Treasury Fund	N/A	<u>6,536,409</u>
			<u>\$ 6,896,984</u>

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

Statement of Net Assets:	
Restricted investments	<u>\$ 6,896,984</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

3. RESTRICTED INVESTMENTS (continued)

Cash Deposited with the New Mexico State Treasurer

As of June 30, 2011, the combined balance of the City's investment within the short-term investment fund was \$135. The cost basis and the fair market basis of the deposit are equal to \$135 (amount of investment). The investments are valued at fair value based on quoted market prices as of the valuation date. Section 6-10-10.1, NMSA 1978, empowers the state treasurer, with the advice and consent of the state Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The state treasurer's Local Government Investment Pool is not SEC registered. The fund is rated AAA_m by Standard and Poor's.

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

Interest Rate Risk – Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The portfolio's weighted average maturity is 36-day WAM.

Bank of New York Mellon Trust Company

The City has entered into several loan agreements with the New Mexico Finance Authority (Authority) as detailed in Note 8. As part of the agreements, the Authority has placed debt reserves and program revenues into two separate accounts at the Bank of New York Mellon Trust Company. In the prior year, the City's reserve and program revenue were invested into separate investment accounts that identified the exact U.S. government investment account for the City's debt reserves and program revenues.

For the current fiscal year, the Authority has invested debt reserve funds from loan agreements of all state of New Mexico local governments within the Federated Government Obligations Fund No. 5, obligations from the U.S. Treasury, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association. For all program funds available to the local governments, the Authority has placed the funds within an account that is invested in the Federated Government Obligations Fund No. 5.

The investments are valued at fair value based on quoted market prices as of the valuation date. The fund is rated AAA_m by Standards and Poor's.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

3. RESTRICTED INVESTMENTS (continued)

Bank of New York Mellon Trust Company (continued)

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 Federated Government Obligations Fund No. 5’s weighted average maturity is 44-day WAM.

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

Other Investments

As part of a City ordinance, the City has idle cash invested, in the amount of \$6,536,409 at Wells Fargo Bank, N.A., Roswell, New Mexico. The fund is composed of U.S. Treasury Notes and U.S. T-Bills. The fund is not subject to categorization.

4. RECEIVABLES, NET

Receivables, net of allowance for doubtful accounts, at June 30, 2011, consisted of the following:

	Governmental Activities	Business-Type Activities
Accounts receivable:		
Charges for services	\$ 1,082,454	\$ 2,392,302
Allowance for doubtful accounts	(336,561)	(356,807)
Total	745,893	2,035,495
Taxes receivable:		
Gross receipts taxes	4,843,477	93,069
Franchise taxes	129,220	-
Property taxes	163,538	-
Lodgers’ taxes	103,783	-
Public service taxes	50,566	-
Allowance for doubtful accounts	-	-
Total	5,290,584	93,069
Intergovernmental receivables:		
Building improvement grants	3,358	-
Public safety grants	6,468	-
Infrastructure improvement grants	610,247	166,993
Health and welfare grants	41,446	-
Utility system improvement grants	-	-
Total	661,519	166,993

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

4. RECEIVABLES, NET (continued)

	Governmental Activities	Business-Type Activities
Interest receivables	1,340	652
Notes receivable:		
WIPP acceleration project	900,000	-
Loan proceeds	-	1,418,760
Total	900,000	1,418,760
Receivables, net	\$ 7,599,336	\$ 3,714,969

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

5. PROPERTY TAX

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

The City is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the City. The City's total tax rate to finance general government services for the year 2010, was \$6.225 per \$1,000 for non-residential and \$5.987 for residential property. In the year 2010, there was no tax rate established for payment of bonds principal and interest.

6. CAPITAL ASSETS

During the fiscal year, the City discovered errors in the amounts reported at June 30, 2010, within the governmental and business-type activities capital assets. The effect of the changes is as follows:

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

6. CAPITAL ASSETS (continued)

	Balance 06/30/10	Corrections	Restated Balance 06/30/10
	<u> </u>	<u> </u>	<u> </u>
Governmental Capital Assets:			
Land	\$ 1,914,829	\$ -	\$ 1,914,829
Construction in progress	251,052	660,357	911,409
Buildings	50,719,675	-	50,719,675
Improvements	367,490	-	367,490
Infrastructure	53,848,152	-	53,848,152
Equipment	14,690,466	-	14,690,466
Accumulated depreciation:			
Buildings	(18,688,794)	-	(18,688,794)
Improvements	(19,153)	-	(19,153)
Infrastructure	(22,185,771)	(3,554)	(22,189,325)
Equipment	(9,896,606)	3,554	(9,893,052)
	<u> </u>	<u> </u>	<u> </u>
Net governmental capital assets	<u>\$ 71,001,340</u>	<u>\$ 660,357</u>	<u>\$ 71,661,697</u>
Business-Type Capital Assets:			
Land	\$ 1,144,430	\$ -	\$ 1,144,430
Construction in progress	221,072	(44,932)	176,140
Buildings	3,013,746	-	3,013,746
Improvements	18,332,176	-	18,332,176
Utility system	35,704,259	(1,941)	35,702,318
Equipment	8,680,544	-	8,680,544
Accumulated depreciation:			
Buildings	(937,366)	1	(937,365)
Improvements	(7,761,670)	-	(7,761,670)
Utility system	(15,754,210)	-	(15,754,210)
Equipment	(6,723,753)	-	(6,723,753)
	<u> </u>	<u> </u>	<u> </u>
Net business-type capital assets	<u>\$ 35,919,228</u>	<u>\$ (46,872)</u>	<u>\$ 35,872,356</u>

Capital assets for the fiscal year ended June 30, 2011, are as follows:

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

6. CAPITAL ASSETS (continued)

Capital assets for the fiscal year ended June 30, 2011, are as follows:

	Restated Balance 06/30/10	Increases	Decreases	Balance 06/30/11
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,914,829	\$ 44,952	\$ -	\$ 1,959,781
Construction in progress	911,409	311,904	(660,358)	562,955
	<u>2,826,238</u>	<u>356,856</u>	<u>(660,358)</u>	<u>2,522,736</u>
Total capital assets, not being depreciated				
Other capital assets, being depreciated:				
Buildings	50,719,675	1,388,046	-	52,107,721
Improvements	367,490	11,503	-	378,993
Infrastructure	53,848,152	3,750,682	-	57,598,834
Equipment	14,690,466	659,746	(353,444)	14,996,768
	<u>119,625,783</u>	<u>5,809,977</u>	<u>(353,444)</u>	<u>125,082,316</u>
Total other capital assets, being depreciated				
Less accumulated depreciation:				
Buildings	(18,688,794)	(1,267,024)	-	(19,955,818)
Improvements	(19,153)	(18,497)	-	(37,650)
Infrastructure	(22,189,325)	(1,088,752)	-	(23,278,077)
Equipment	(9,893,052)	(996,343)	348,750	(10,540,645)
	<u>(50,790,324)</u>	<u>(3,370,616)</u>	<u>348,750</u>	<u>(53,812,190)</u>
Total accumulated depreciation				
Other capital assets, net	<u>68,835,459</u>	<u>2,439,361</u>	<u>(4,694)</u>	<u>71,270,126</u>
Total capital assets, net	<u>\$ 71,661,697</u>	<u>\$ 2,796,217</u>	<u>\$ (665,052)</u>	<u>\$ 73,792,862</u>

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

General government	\$ 535,812
Public safety	641,191
Public works	1,197,453
Culture and recreation	990,421
Health and welfare	5,739
	<u>\$ 3,370,616</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

6. CAPITAL ASSETS (continued)

	Restated Balance 06/30/10	Increases	Decreases	Balance 06/30/11
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,144,430	\$ 114,500	\$ -	\$ 1,258,930
Construction in progress	176,140	4,537,982	-	4,714,122
	<u>1,320,570</u>	<u>4,652,482</u>	<u>-</u>	<u>5,973,052</u>
Total capital assets, not being depreciated				
Other capital assets, being depreciated:				
Buildings	3,013,746	343,482	-	3,357,228
Improvements	18,332,176	1,821,597	-	20,153,773
Utility system	35,702,318	1,161,831	-	36,864,149
Equipment	8,680,544	810,471	(342,940)	9,148,075
	<u>65,728,784</u>	<u>4,137,381</u>	<u>(342,940)</u>	<u>69,523,225</u>
Total other capital assets, being depreciated				
Less accumulated depreciation:				
Buildings	(937,365)	(107,804)	-	(1,045,169)
Improvements	(7,761,670)	(437,995)	-	(8,199,665)
Utility system	(15,754,210)	(760,725)	-	(16,514,935)
Equipment	(6,723,753)	(671,598)	342,639	(7,052,712)
	<u>(31,176,998)</u>	<u>(1,978,122)</u>	<u>342,639</u>	<u>(32,812,481)</u>
Total accumulated depreciation				
Other capital assets, net	<u>34,551,786</u>	<u>2,159,259</u>	<u>(301)</u>	<u>36,710,744</u>
Total capital assets, net	<u>\$ 35,872,356</u>	<u>\$ 6,811,741</u>	<u>\$ (301)</u>	<u>\$ 42,683,796</u>

7. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2011, consisted of the following:

	Governmental Activities	Business-Type Activities
Gross receipts tax payable	<u>\$ -</u>	<u>\$ 249</u>

8. LONG-TERM OBLIGATIONS

Changes in governmental activities obligations during the year ended June 30, 2011, were as follows:

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

8. LONG-TERM OBLIGATIONS (continued)

	Balance 06/30/10	Additions	Deletions	Balance 06/30/11	Amounts Due Within One Year
Governmental Activities:					
Notes payable	\$ 2,398,553	\$ -	\$ (443,888)	\$ 1,954,665	\$ 456,954
Bonds payable	9,600,000	-	(1,585,000)	8,015,000	495,000
Compensated absences	1,083,642	992,107	(1,017,998)	1,057,751	374,651
	<u>\$ 13,082,195</u>	<u>\$ 992,107</u>	<u>\$ (3,046,886)</u>	<u>\$ 11,027,416</u>	<u>\$ 1,326,605</u>

Note Payable – Youth Sports Complex

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, 2011, including interest payments, are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2012	\$ 387,822	\$ 37,501	\$ 425,323
2013	400,224	26,099	426,323
2014	413,826	13,532	427,358
	<u>\$ 1,201,872</u>	<u>\$ 77,132</u>	<u>\$ 1,279,004</u>

Note Payable – Aerial Platform Truck

On July 19, 2005, the City borrowed \$1,000,000 from the New Mexico Finance Authority. The note matures on May 1, 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, 2011, including interest payments, are as follows:

Due in year ending June 30:

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

8. LONG-TERM OBLIGATIONS (continued)

Note Payable – Aerial Platform Truck (continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 63,947	\$ 22,698	\$ 86,645
2013	65,977	20,833	86,810
2014	68,181	18,799	86,980
2015	70,559	16,597	87,156
2016	73,093	14,245	87,338
2017-2020	<u>321,097</u>	<u>30,220</u>	<u>351,317</u>
	<u>\$ 662,854</u>	<u>\$ 123,392</u>	<u>\$ 786,246</u>

Note Payable – Effluent Aeration Ponds – Golf Course

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

The annual requirements to amortize the loan outstanding as of June 30, 2011, including administrative fee payments, are as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 5,185	\$ 225	\$ 5,410
2013	5,198	212	5,410
2014	5,211	199	5,410
2015	5,224	186	5,410
2016	5,238	173	5,411
2017-2021	26,385	667	27,052
2022-2026	26,717	335	27,052
2027-2028	<u>10,781</u>	<u>40</u>	<u>10,821</u>
	<u>\$ 89,939</u>	<u>\$ 2,037</u>	<u>\$ 91,976</u>

2002 Refunding and Improvement Bonds

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

The annual requirements to amortize the bonds outstanding as of June 30, 2011, including interest payments, are as follows:

Due in year ending June 30:

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

8. LONG-TERM OBLIGATIONS (continued)

2002 Refunding and Improvement Bonds (continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 255,000	\$ 90,705	\$ 345,705
2013	265,000	79,133	344,133
2014	275,000	66,776	341,776
2015	290,000	53,350	343,350
2016	305,000	38,921	343,921
2017-2018	<u>650,000</u>	<u>32,010</u>	<u>682,010</u>
	<u>\$ 2,040,000</u>	<u>\$ 360,895</u>	<u>\$ 2,400,895</u>

2009 Public Infrastructure Projects Bonds

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

The annual requirements to amortize the bonds outstanding as of June 30, 2011, including interest payments, are as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 240,000	\$ 247,669	\$ 487,669
2013	250,000	240,469	490,469
2014	255,000	232,969	487,969
2015	255,000	225,319	480,319
2016	265,000	216,394	481,394
2017-2021	1,505,000	916,881	2,421,881
2022-2026	1,870,000	574,975	2,444,975
2027-2029	<u>1,335,000</u>	<u>128,725</u>	<u>1,463,725</u>
	<u>\$ 5,975,000</u>	<u>\$ 2,783,401</u>	<u>\$ 8,758,401</u>

Compensated Absences

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

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

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

8. LONG-TERM OBLIGATIONS (continued)

Business-Type Activities

Changes in the business-type activities obligations during the year ended June 30, 2011, were as follows:

	Balance 06/30/10	Additions	Deletions	Balance 06/30/11	Amounts Due Within One Year
Business-Type Activities:					
Notes payable	\$ 239,893	\$ 4,479,701	\$ (56,885)	\$ 4,662,709	\$ 58,841
Bonds payable	20,540,000	-	(775,000)	19,765,000	800,000
Landfill closure	571,941	42,758	-	614,699	-
Compensated absences	128,169	197,998	(180,275)	145,892	66,486
	<u>\$ 21,480,003</u>	<u>\$ 4,720,457</u>	<u>\$ (1,012,160)</u>	<u>\$ 25,188,300</u>	<u>\$ 925,327</u>

Note Payable – Solid Waste Vehicles

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, 2011, including interest payments, are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2012	\$ 58,841	\$ 6,308	\$ 65,149
2013	60,951	4,349	65,300
2014	63,216	2,242	65,458
	<u>\$ 183,008</u>	<u>\$ 12,899</u>	<u>\$ 195,907</u>

Note Payable – Canal Street Waterlines Replacement

On December 18, 2009, the City entered into a drinking water state revolving loan and subsidy agreement with the New Mexico Finance Authority, with a total amount of \$1,973,610, of which the loan portion of the agreement is a maximum of \$592,083. The note matures on June 1, 2031, and accrues interest at rates between 1.000% and 1.005% per annum. The proceeds of the loan and subsidy agreement will be used for the replacement of the water lines on Canal Street. The payments of principal and interest will be paid from municipal capital outlay gross receipts taxes.

As of June 30, 2011, the City has requested reimbursement from the loan portion of the agreement, totaling \$555,643. As per the agreement, the first loan payment is not required until one year after the completion of the project. The City has recorded the loan proceeds as of June 30, 2011; however, the City recorded the proceeds as long-term debt with no portion allocated for an amount due within one year.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

8. LONG-TERM OBLIGATIONS (continued)

Note Payable – Wastewater Utility System Improvements

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

As per the agreement, the City has three years from the date of the agreement to complete all work on the wastewater utility system. As of June 30, 2011, the City has requested reimbursement from the loan portion of the agreement, totaling \$3,924,058. As per the agreement, the first loan payment is not required until one year after the completion of the project. The City has recorded the loan proceeds as of June 30, 2011; however, the City recorded the proceeds as long-term debt with no portion allocated for an amount due within one year.

Note Payable – Double Eagle Waterline Improvements

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

As of June 30, 2011, the City has not requested any reimbursement of loan portion of the agreement.

2009 Advance Refunding Bonds

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

As a result, that portion of the 1998 water and sewer bonds is considered defeased, and the City has removed the liability from its accounts. The advance refunding increased total debt service payments over the next fifteen years by \$208,770. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$426,168.

**STATE OF NEW MEXICO
CITY OF CARLSBAD**
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

8. LONG-TERM OBLIGATIONS (continued)

2009 Advance Refunding Bonds (continued)

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

The annual requirement to amortize the bonds outstanding as of June 30, 2011, including interest payments, is as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 800,000	\$ 824,856	\$ 1,624,856
2013	820,000	800,856	1,620,856
2014	845,000	776,256	1,621,256
2015	870,000	750,906	1,620,906
2016	900,000	724,806	1,624,806
2017-2021	4,990,000	3,119,281	8,109,281
2022-2026	6,125,000	1,986,425	8,111,425
2027-2029	4,415,000	448,750	4,863,750
	<u>\$ 19,765,000</u>	<u>\$ 9,432,136</u>	<u>\$ 29,197,136</u>

Landfill Closure and Post-Closure Costs

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

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

The estimated total current cost of the landfill closure and post-closure care of \$3,119,380 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2011. 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.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

8. LONG-TERM OBLIGATIONS (continued)

Landfill Closure and Post-Closure Costs (continued)

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

The following calculation details the current amount recognized for landfill closure and post-closure care as of June 30, 2011:

Estimated landfill closure cost	\$	1,490,280
Estimated landfill post-closure care cost		1,629,100
		3,119,380
Total estimated closure and post-closure costs	\$	3,119,380
FY10 capacity used to date	\$	2,043,996
FY11 tonnage received/capacity used		152,808
		2,196,804
FY11 capacity used to date	\$	2,196,804
Total capacity used to date (approximately 2,196,804 cubic gate yards) as a percentage of total capacity (5,574,000 cubic gate yards)		39.41%
Total estimated closure and post-closure costs	\$	3,119,380
Total capacity used to date		39.41%
		39.41%
Estimated closure and post-closure care costs	\$	1,229,348
Estimated closure and post-closure care costs	\$	1,229,398
Prior year liability		(1,143,882)
		85,516
Current year liability	\$	85,516
City of Carlsbad's portion (50% of current year liability)	\$	42,758
Prior year liability recognized	\$	571,941
Current year liability		42,758
		614,699
Estimated liability for the fiscal year ended June 30, 2011	\$	614,699

9. INTERFUND BALANCES AND TRANSFERS

Interfund Balances

Receivable Fund	Payable Fund	Amount
WIPP Acceleration Impact Fund	Federal Projects Fund	\$ 120,000
CIEP Fund	Park Improvement Fund	87,342
Museum Gift Shop Fund	General Fund	4,491
CIEP Fund	State Legislative Fund	2,268
Group Health Insurance Fund	General Fund	494

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

9. INTERFUND BALANCES AND TRANSFERS (continued)

Interfund Transfers

	Transfers In							Total
	General Fund	WIPP Acceleration Impact Fund	Other Governmental Funds	Solid Waste Fund	Joint Water and Sewer Fund	Other Enterprise Funds	Internal Service Funds	
Transfers (out):								
General Fund	\$ -	\$ -	\$ 2,499,792	\$ -	\$ -	\$ 521,000	\$ 710,085	\$ 3,730,877
WIPP Acceleration Impact Fund	-	-	-	1,497,830	186,487	-	-	1,684,317
GRT Capital Outlay Fund	-	-	1,595,544	-	12,263	-	-	1,607,807
Other Governmental Funds	10,258	120,000	419,096	-	1,723,070	411,589	24,189	2,708,202
Solid Waste Fund	1,448,125	-	-	-	-	-	498,735	1,946,860
Joint Water and Sewer Fund	1,662,376	-	562,121	-	-	-	505,856	2,730,353
Other Enterprise Funds	-	-	-	-	-	-	21,455	21,455
Internal Service Funds	603,192	-	22,416	48,548	107,393	13,025	-	794,574
	<u>\$ 3,723,951</u>	<u>\$ 120,000</u>	<u>\$ 5,098,969</u>	<u>\$ 1,546,378</u>	<u>\$ 2,029,213</u>	<u>\$ 945,614</u>	<u>\$ 1,760,320</u>	<u>\$ 15,224,445</u>

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.

10. RESTATEMENT OF NET ASSETS

During the fiscal year ended June 30, 2011, the City determined that changes to the beginning of year net assets and fund balances were necessary. A description and the effect of the changes are as follows:

	Government-Wide		
	Governmental Activities	Business-Type Activities	Individual Funds
Government-Wide Financial Statements			
The City has discovered errors in the capital assets previously reported.	\$ 660,357		
<i>Major Funds</i>			
Joint Water and Sewer Fund			
The City has discovered errors in the capital assets previously reported.		\$ 13,577	<u>\$ 13,577</u>
<i>Other Governmental Funds</i>			
State Legislative Fund			
In the previous year, the City incorrectly reflected accounts payable within the state legislative fund.	44,718		<u>\$ 44,718</u>
Airport Fund			
In the previous year, the City incorrectly reflected a grant receivable within the airport fund.	(16,854)		<u>\$ (16,854)</u>
Total Government-Wide Financial Statements	<u>\$ 688,221</u>	<u>\$ 13,577</u>	

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

11. DEFICIT FUND BALANCE

The following fund had a deficit fund balance as of June 30, 2011:

Fund	Amount
Community Development	\$ 24,028
RSVP	263

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.

12. BUDGET RECONCILIATION

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

	General Fund	WIPP Acceleration Impact Fund
Sources/Inflow of Resources:		
Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison statement.	\$ 30,561,157	\$ 2,600,000
Differences - Budget to GAAP:		
Accrual of revenues and associated receivable that are not considered an inflow or revenues for the budgetary basis, but are considered revenues for financial reporting purposes.	399,036	584,259
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.	6,080	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ 30,966,273	\$ 3,184,259
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 25,384,003	\$ 2,791,917
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.	83,211	(1,171,975)

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

12. BUDGET RECONCILIATION (continued)

	General Fund	WIPP Acceleration Impact Fund
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.	62,961	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ 25,530,175	\$ 1,619,942
Other Sources (Uses) of Resources: Actual amounts (budgetary basis) "transfers in (out)" from the budgetary comparison statement.	\$ (6,926)	\$ -
Differences - Budget to GAAP: The City recorded grant revenues within another fund and reflected the revenues as such for budgetary purposes. For financial reporting purposes, the City reclassified the revenues as a transfer from the federal projects fund.	-	120,000
The City purchased capital assets for another fund and reflected the purchase as such for budgetary purposes. The capital assets benefited other funds and for financial reporting purposes, the City reclassified the expenditures as a transfer to the solid waste fund.	-	(1,497,830)
The City purchased capital assets for another fund and reflected the purchase as such for budgetary purposes. The capital assets benefited other funds and for financial reporting purposes, the City reclassified the expenditures as a transfer to the joint water and sewer fund.	-	(186,487)
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ (6,926)	\$ (1,564,317)

13. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

13. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

Funding Policy

Plan members are required to contribute from 13.15% to 16.30% (ranges from 4.0% 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, 2011, 2010, and 2009 were \$2,089,764, \$1,981,633 and \$1,779,608, respectively, equal to the amount of the required contributions for each year.

14. POST-EMPLOYMENT – STATE RETIREE HEALTH CARE PLAN

Plan Description

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years. The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment health care plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, New Mexico 87107.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

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

Funding Policy (continued)

Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee is required to contribute 0.833 % of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013, the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan for contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
2012	1.834%	0.917%
2013	2.000%	1.000%

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4, and 5; municipal fire member coverage plan 3, 4, and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1]), during the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 2.084% of each participating employee's annual salary, and each participating employee was required to contribute 1.042% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013, the contribution rates for both employees and employers will rise as follows:

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

Also, employers joining the program after January 1, 1998, are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals. The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico state legislature.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

Funding Policy (continued)

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

The City's contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$295,640, \$201,002 and \$179,112, respectively, which equal the required contributions for each year.

15. RISK MANAGEMENT

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

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

16. CONTINGENT LIABILITIES

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

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

**COMBINING AND INDIVIDUAL OTHER
GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Special Revenue Funds									
	E-911 Fund	Fire Protection Fund	Recreation Fund	Lodgers' Tax Fund	Airport Fund	Emergency Medical Services Fund	Local Government Corrections Fund	Special Police Program Fund	Law Enforcement Protection Fund	RSVP Program Fund
ASSETS										
Cash	\$ 1,324	\$ 253,000	\$ 69,094	\$ 760,970	\$ 630,085	\$ -	\$ 94,370	\$ 2,682	\$ -	\$ 1,885
Receivables, net	-	-	1,087	103,784	11,424	-	-	-	-	84
Due from other funds	-	-	-	-	-	-	-	-	-	-
Restricted:										
Investments	-	135	-	-	-	-	-	-	-	-
Total assets	<u>\$ 1,324</u>	<u>\$ 253,135</u>	<u>\$ 70,181</u>	<u>\$ 864,754</u>	<u>\$ 641,509</u>	<u>\$ -</u>	<u>\$ 94,370</u>	<u>\$ 2,682</u>	<u>\$ -</u>	<u>\$ 1,969</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ -	\$ 4,528	\$ 4,595	\$ 45,006	\$ -	\$ -	\$ 19,425	\$ -	\$ -	\$ 358
Accrued salaries	-	-	11,717	-	-	-	-	-	-	1,874
Accrued interest payable	-	-	-	-	-	-	-	-	-	-
Due to others	-	-	100	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-
Deferred revenues	-	-	100	-	-	-	-	-	-	-
Total liabilities	-	4,528	16,512	45,006	-	-	19,425	-	-	2,232
Fund Balances:										
Reserved for:										
Debt service	-	135	-	-	-	-	-	-	-	-
State mandated per statutes	-	2,892	-	545,329	-	-	74,945	-	-	-
Committed for:										
Subsequent years' expenditures	1,324	245,580	53,669	274,419	641,509	-	-	2,682	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	(263)
Total fund balances	<u>1,324</u>	<u>248,607</u>	<u>53,669</u>	<u>819,748</u>	<u>641,509</u>	<u>-</u>	<u>74,945</u>	<u>2,682</u>	<u>-</u>	<u>(263)</u>
Total liabilities and fund balances	<u>\$ 1,324</u>	<u>\$ 253,135</u>	<u>\$ 70,181</u>	<u>\$ 864,754</u>	<u>\$ 641,509</u>	<u>\$ -</u>	<u>\$ 94,370</u>	<u>\$ 2,682</u>	<u>\$ -</u>	<u>\$ 1,969</u>

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Special Revenue Funds			Capital Project Funds						
	Sports Complex Fund	Community Development Fund	Total Special Revenue Funds	Park Improvement Fund	Street System Improvement Fund	State Legislative Fund	CIEP Fund	Federal Projects Fund	National Cave-Karst Institute Fund	Total Capital Project Funds
ASSETS										
Cash	\$ 122,783	\$ -	\$ 1,936,193	\$ -	\$ 524,107	\$ 17,572	\$ 2,076,655	\$ 1,091,209	\$ -	\$ 3,709,543
Receivables, net	-	-	116,379	167,876	122,152	48,429	-	251,836	-	590,293
Due from other funds	-	-	-	-	-	-	89,610	-	-	89,610
Restricted:										
Investments	-	-	135	-	-	-	-	-	-	-
Total assets	<u>\$ 122,783</u>	<u>\$ -</u>	<u>\$ 2,052,707</u>	<u>\$ 167,876</u>	<u>\$ 646,259</u>	<u>\$ 66,001</u>	<u>\$ 2,166,265</u>	<u>\$ 1,343,045</u>	<u>\$ -</u>	<u>\$ 4,389,446</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 8,583	\$ 24,028	\$ 106,523	\$ -	\$ 34,323	\$ -	\$ 790	\$ 16,118	\$ -	\$ 51,231
Accrued salaries	-	-	13,591	-	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-	-	-	-
Due to others	-	-	100	-	-	-	-	-	-	-
Due to other funds	-	-	-	87,342	-	2,268	-	120,000	-	209,610
Deferred revenues	-	-	100	-	39,961	15,853	-	11,335	-	67,149
Total liabilities	8,583	24,028	120,314	87,342	74,284	18,121	790	147,453	-	327,990
Fund Balances:										
Reserved for:										
Debt service	-	-	135	-	-	-	-	-	-	-
State mandated per statutes	-	-	623,166	-	-	-	-	-	-	-
Committed for:										
Subsequent years' expenditures	-	-	1,219,183	80,534	571,975	47,880	2,165,475	1,195,592	-	4,061,456
Assigned	114,200	-	114,200	-	-	-	-	-	-	-
Unassigned	-	(24,028)	(24,291)	-	-	-	-	-	-	-
Total fund balances	114,200	(24,028)	1,932,393	80,534	571,975	47,880	2,165,475	1,195,592	-	4,061,456
Total liabilities and fund balances	<u>\$ 122,783</u>	<u>\$ -</u>	<u>\$ 2,052,707</u>	<u>\$ 167,876</u>	<u>\$ 646,259</u>	<u>\$ 66,001</u>	<u>\$ 2,166,265</u>	<u>\$ 1,343,045</u>	<u>\$ -</u>	<u>\$ 4,389,446</u>

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Debt Service Funds					Total Other Governmental Funds
	Sports Complex Fund	2002 Sales Tax Bonds Fund	New Mexico Finance Authority Loan Fund	Capital Outlay GRT Fund	Total Debt Service Funds	
<u>ASSETS</u>						
Cash	\$ 1,851,928	\$ 18,744	\$ 1	\$ -	\$ 1,870,673	\$ 7,516,409
Receivables, net	186,048	-	-	-	186,048	892,720
Due from other funds	-	-	-	-	-	89,610
Restricted:						
Investments	305,475	-	-	-	305,475	305,610
Total assets	<u>\$ 2,343,451</u>	<u>\$ 18,744</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 2,362,196</u>	<u>\$ 8,804,349</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 13,642	\$ -	\$ -	\$ -	\$ 13,642	\$ 171,396
Accrued salaries	11,367	-	-	-	11,367	24,958
Accrued interest payable	18,751	-	-	-	18,751	18,751
Due to others	-	-	-	-	-	100
Due to other funds	-	-	-	-	-	209,610
Deferred revenues	-	-	-	-	-	67,249
Total liabilities	43,760	-	-	-	43,760	492,064
Fund Balances:						
Reserved for:						
Debt service	2,299,691	18,744	1	-	2,318,436	2,318,571
State mandated per statutes	-	-	-	-	-	623,166
Committed for:						
Subsequent years' expenditures	-	-	-	-	-	5,280,639
Assigned	-	-	-	-	-	114,200
Unassigned	-	-	-	-	-	(24,291)
Total fund balances	<u>2,299,691</u>	<u>18,744</u>	<u>1</u>	<u>-</u>	<u>2,318,436</u>	<u>8,312,285</u>
Total liabilities and fund balances	<u>\$ 2,343,451</u>	<u>\$ 18,744</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 2,362,196</u>	<u>\$ 8,804,349</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
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds									
	E-911 Fund	Fire Protection Fund	Recreation Fund	Lodgers' Tax Fund	Airport Fund	Emergency Medical Services Fund	Local Government Corrections Fund	Special Police Program Fund	Law Enforcement Protection Fund	RSVP Program Fund
Revenues:										
Gross receipts taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lodgers' taxes	-	-	-	872,430	-	-	-	-	-	-
Public service taxes	-	-	2,729	-	-	-	-	-	-	-
Intergovernmental	-	345,687	-	-	247,851	20,000	-	3,497	58,800	51,717
Charges for services	-	-	15,438	-	7,407	-	109,928	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Interest	-	134	-	37	-	-	-	-	-	-
Miscellaneous	-	-	-	18,000	225,120	-	-	1,040	-	-
Total revenues	-	345,821	18,167	890,467	480,378	20,000	109,928	4,537	58,800	51,717
Expenditures:										
Current:										
Public safety	1,230	141,382	-	-	-	20,060	207,543	6,221	41,641	-
Public works	-	-	-	-	29,909	-	-	-	-	-
Culture and recreation	-	-	353,956	586,745	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	53,982
Economic development	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	43,679	273,904	-	-	-	-	-
Debt service:										
Principal	-	62,108	-	-	-	-	-	-	-	-
Interest	-	26,190	-	-	-	-	-	-	-	-
Total expenditures	1,230	229,680	353,956	630,424	303,813	20,060	207,543	6,221	41,641	53,982
Excess (deficiency) of revenues over expenditures	(1,230)	116,141	(335,789)	260,043	176,565	(60)	(97,615)	(1,684)	17,159	(2,265)
Other Financing Sources (Uses):										
Transfers in	-	-	335,318	-	-	-	170,000	-	-	-
Transfers (out)	-	(5,898)	(498)	(100,000)	-	-	-	-	(17,793)	-
Total other financing sources (uses)	-	(5,898)	334,820	(100,000)	-	-	170,000	-	(17,793)	-
Net change in fund balance	(1,230)	110,243	(969)	160,043	176,565	(60)	72,385	(1,684)	(634)	(2,265)
Fund balance, beginning of year	2,554	138,364	54,638	659,705	481,798	60	2,560	4,366	634	2,002
Restatements	-	-	-	-	(16,854)	-	-	-	-	-
Fund balance, beginning of year, restated	2,554	138,364	54,638	659,705	464,944	60	2,560	4,366	634	2,002
Fund balance, end of year	\$ 1,324	\$ 248,607	\$ 53,669	\$ 819,748	\$ 641,509	\$ -	\$ 74,945	\$ 2,682	\$ -	\$ (263)

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
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds			Capital Project Funds						
	Sports Complex Fund	Community Development Fund	Total Special Revenue Funds	Park Improvement Fund	Street System Improvement Fund	State Legislative Fund	CIEP Fund	Federal Projects Fund	National Cave-Karst Institute Fund	Total Capital Project Funds
Revenues:										
Gross receipts taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lodgers' taxes	-	-	872,430	-	-	-	-	-	-	-
Public service taxes	-	-	2,729	-	448,176	-	-	-	-	448,176
Intergovernmental	-	234,123	961,675	184,213	72,927	472,824	-	1,487,138	-	2,217,102
Charges for services	-	-	132,773	5,075	-	-	-	-	-	5,075
Licenses and permits	-	-	-	-	77,221	-	-	-	-	77,221
Interest	-	-	171	-	2,343	-	-	-	-	2,343
Miscellaneous	-	-	244,160	-	-	-	22,112	-	-	22,112
Total revenues	-	234,123	2,213,938	189,288	600,667	472,824	22,112	1,487,138	-	2,772,029
Expenditures:										
Current:										
Public safety	-	-	418,077	-	-	-	-	-	-	-
Public works	-	-	29,909	-	510,967	103,982	-	-	-	614,949
Culture and recreation	29,671	-	970,372	29,995	-	10,304	-	-	-	40,299
Health and welfare	-	-	53,982	-	-	-	-	-	-	-
Economic development	-	1,295	1,295	-	-	-	40,056	-	-	40,056
Capital outlay	61,704	780,024	1,159,311	188,915	417,720	345,536	211,783	287,345	-	1,451,299
Debt service:										
Principal	-	-	62,108	-	-	-	-	-	-	-
Interest	-	-	26,190	-	-	-	-	-	-	-
Total expenditures	91,375	781,319	2,721,244	218,910	928,687	459,822	251,839	287,345	-	2,146,603
Excess (deficiency) of revenues over expenditures	(91,375)	(547,196)	(507,306)	(29,622)	(328,020)	13,002	(229,727)	1,199,793	-	625,426
Other Financing Sources (Uses):										
Transfers in	-	421,021	926,339	-	-	-	1,451,234	733,881	2,342	2,187,457
Transfers (out)	-	-	(124,189)	-	(421,389)	(108,808)	(128,444)	(1,925,372)	-	(2,584,013)
Total other financing sources (uses)	-	421,021	802,150	-	(421,389)	(108,808)	1,322,790	(1,191,491)	2,342	(396,556)
Net change in fund balance	(91,375)	(126,175)	294,844	(29,622)	(749,409)	(95,806)	1,093,063	8,302	2,342	228,870
Fund balance, beginning of year	205,575	102,147	1,654,403	110,156	1,321,384	98,968	1,072,412	1,187,290	(2,342)	3,787,868
Restatements	-	-	(16,854)	-	-	44,718	-	-	-	44,718
Fund balance, beginning of year, restated	205,575	102,147	1,637,549	110,156	1,321,384	143,686	1,072,412	1,187,290	(2,342)	3,832,586
Fund balance, end of year	\$ 114,200	\$ (24,028)	\$ 1,932,393	\$ 80,534	\$ 571,975	\$ 47,880	\$ 2,165,475	\$ 1,195,592	\$ -	\$ 4,061,456

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
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Debt Service Funds					Total Other Governmental Funds
	Sports Complex Fund	2002 Sales Tax Bonds Fund	New Mexico Finance Authority Loan Fund	GRT Capital Outlay Fund	Total Debt Service Funds	
Revenues:						
Gross receipts taxes	\$ 1,100,030	\$ -	\$ -	\$ -	\$ 1,100,030	\$ 1,100,030
Lodgers' taxes	-	-	-	-	-	872,430
Public service taxes	-	-	-	-	-	450,905
Intergovernmental	-	-	-	-	-	3,178,777
Charges for services	-	-	-	-	-	137,848
Licenses and permits	-	-	-	-	-	77,221
Interest	251	-	-	-	251	2,765
Miscellaneous	-	-	-	-	-	266,272
Total revenues	1,100,281	-	-	-	1,100,281	6,086,248
Expenditures:						
Current:						
Public safety	-	-	-	-	-	418,077
Public works	-	-	-	-	-	644,858
Culture and recreation	394,953	-	-	-	394,953	1,405,624
Health and welfare	-	-	-	-	-	53,982
Economic development	-	-	-	-	-	41,351
Capital outlay	8,292	-	-	-	8,292	2,618,902
Debt service:						
Principal	376,608	270,000	5,172	1,315,000	1,966,780	2,028,888
Interest	46,570	102,120	237	280,544	429,471	455,661
Total expenditures	826,423	372,120	5,409	1,595,544	2,799,496	7,667,343
Excess (deficiency) of revenues over expenditures	273,858	(372,120)	(5,409)	(1,595,544)	(1,699,215)	(1,581,095)
Other Financing Sources (Uses):						
Transfers in	12,099	372,120	5,410	1,595,544	1,985,173	5,098,969
Transfers (out)	-	-	-	-	-	(2,708,202)
Total other financing sources (uses)	12,099	372,120	5,410	1,595,544	1,985,173	2,390,767
Net change in fund balance	285,957	-	1	-	285,958	809,672
Fund balance, beginning of year	2,013,734	18,744	-	-	2,032,478	7,474,749
Restatements	-	-	-	-	-	27,864
Fund balance, beginning of year, restated	2,013,734	18,744	-	-	2,032,478	7,502,613
Fund balance, end of year	<u>\$ 2,299,691</u>	<u>\$ 18,744</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 2,318,436</u>	<u>\$ 8,312,285</u>

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

**OTHER SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON STATEMENTS**

STATE OF NEW MEXICO

CITY OF CARLSBAD

E-911 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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Expenditures:				
Current:				
Public safety	<u>\$ 2,554</u>	<u>\$ 2,554</u>	<u>\$ 1,230</u>	<u>\$ 1,324</u>
Net change in cash balance	(2,554)	(2,554)	(1,230)	1,324
Cash balance, beginning of year	<u>2,554</u>	<u>2,554</u>	<u>2,554</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,324</u></u>	<u><u>\$ 1,324</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
FIRE PROTECTION 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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 268,254	\$ 268,254	\$ 345,687	\$ 77,433
Expenditures:				
Current:				
Public safety	142,500	142,500	131,654	10,846
Capital outlay	162,500	162,500	12,416	150,084
Debt service:				
Principal	62,108	62,108	62,108	-
Interest	26,190	26,190	26,190	-
Total expenditures	393,298	393,298	232,368	160,930
Excess (deficiency) of revenues over expenditures	(125,044)	(125,044)	113,319	238,363
Other Financing Sources (Uses):				
Transfers (out)	(5,898)	(5,898)	(5,898)	-
Net change in cash balance	(130,942)	(130,942)	107,421	238,363
Cash balance, beginning of year	140,289	140,289	140,289	-
Restricted investments converted to cash	-	-	5,290	5,290
Cash balance, end of year	\$ 9,347	\$ 9,347	\$ 253,000	\$ 243,653

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Public service taxes	\$ -	\$ -	\$ 5,182	\$ 5,182
Charges for services	15,100	15,100	15,632	532
Total revenues	15,100	15,100	20,814	5,714
Expenditures:				
Current:				
Culture and recreation	383,427	393,746	352,766	40,980
Excess (deficiency) of revenues over expenditures	(368,327)	(378,646)	(331,952)	46,694
Other Financing Sources (Uses):				
Transfers in	325,000	335,319	335,318	(1)
Transfers (out)	(498)	(498)	(498)	-
Total other financing sources (uses)	324,502	334,821	334,820	(1)
Net change in cash balance	(43,825)	(43,825)	2,868	46,693
Cash balance, beginning of year	66,226	66,226	66,226	-
Cash balance, end of year	<u>\$ 22,401</u>	<u>\$ 22,401</u>	<u>\$ 69,094</u>	<u>\$ 46,693</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
LODGERS' TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Lodgers' taxes	\$ 670,000	\$ 670,000	\$ 852,313	\$ 182,313
Interest	-	-	42	42
Miscellaneous	-	18,000	18,000	-
Total revenues	670,000	688,000	870,355	182,355
Expenditures:				
Current:				
Culture and recreation	722,230	767,583	573,827	193,756
Capital outlay	30,013	53,350	48,149	5,201
Total expenditures	752,243	820,933	621,976	198,957
Excess (deficiency) of revenues over expenditures	(82,243)	(132,933)	248,379	381,312
Other Financing Sources (Uses):				
Transfers (out)	(100,000)	(100,000)	(100,000)	-
Net change in cash balance	(182,243)	(232,933)	148,379	381,312
Cash balance, beginning of year	612,591	612,591	612,591	-
Cash balance, end of year	<u>\$ 430,348</u>	<u>\$ 379,658</u>	<u>\$ 760,970</u>	<u>\$ 381,312</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
AIRPORT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 329,900	\$ 329,900	\$ 239,947	\$ (89,953)
Charges for services	6,300	6,300	4,641	(1,659)
Miscellaneous	-	-	225,120	225,120
Total revenues	336,200	336,200	469,708	133,508
Expenditures:				
Current:				
Public works	212,769	212,769	29,254	183,515
Capital outlay	298,985	331,255	274,559	56,696
Total expenditures	511,754	544,024	303,813	240,211
Net change in cash balance	(175,554)	(207,824)	165,895	373,719
Cash balance, beginning of year	464,190	464,190	464,190	-
Cash balance, end of year	<u>\$ 288,636</u>	<u>\$ 256,366</u>	<u>\$ 630,085</u>	<u>\$ 373,719</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
EMERGENCY MEDICAL SERVICES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Expenditures:				
Current:				
Public safety	15,060	15,060	15,097	(37)
Capital outlay	5,000	5,000	4,963	37
Total expenditures	<u>20,060</u>	<u>20,060</u>	<u>20,060</u>	<u>-</u>
Net change in cash balance	(60)	(60)	(60)	-
Cash balance, beginning of year	<u>60</u>	<u>60</u>	<u>60</u>	<u>-</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
LOCAL GOVERNMENT CORRECTIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Charges for services	\$ 85,000	\$ 85,000	\$ 109,928	\$ 24,928
Expenditures:				
Current:				
Public safety	266,000	266,000	203,661	62,339
Excess (deficiency) of revenues over expenditures	(181,000)	(181,000)	(93,733)	87,267
Other Financing Sources (Uses):				
Transfers in	170,000	170,000	170,000	-
Net change in cash balance	(11,000)	(11,000)	76,267	87,267
Cash balance, beginning of year	18,103	18,103	18,103	-
Cash balance, end of year	<u>\$ 7,103</u>	<u>\$ 7,103</u>	<u>\$ 94,370</u>	<u>\$ 87,267</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SPECIAL POLICE PROGRAM 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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 4,052	\$ 4,052	\$ 3,497	\$ (555)
Miscellaneous	-	-	1,040	1,040
Total revenues	4,052	4,052	4,537	485
Expenditures:				
Current:				
Public safety	8,418	8,418	6,221	2,197
Net change in cash balance	(4,366)	(4,366)	(1,684)	2,682
Cash balance, beginning of year	4,366	4,366	4,366	-
Cash balance, end of year	\$ -	\$ -	\$ 2,682	\$ 2,682

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
LAW ENFORCEMENT PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 58,800	\$ 58,800	\$ 58,800	\$ -
Expenditures:				
Current:				
Public safety	26,946	26,946	26,947	(1)
Capital outlay	15,000	15,000	14,999	1
Total expenditures	<u>41,946</u>	<u>41,946</u>	<u>41,946</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	16,854	16,854	16,854	-
Other Financing Sources (Uses):				
Transfers (out)	<u>(17,793)</u>	<u>(17,793)</u>	<u>(17,793)</u>	<u>-</u>
Net change in cash balance	(939)	(939)	(939)	-
Cash balance, beginning of year	<u>939</u>	<u>939</u>	<u>939</u>	<u>-</u>
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
 RETIRED SENIOR VOLUNTEER PROGRAM 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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 52,373	\$ 52,373	\$ 52,289	\$ (84)
Expenditures:				
Current:				
Health and welfare	<u>55,485</u>	<u>55,485</u>	<u>53,552</u>	<u>1,933</u>
Net change in cash balance	(3,112)	(3,112)	(1,263)	1,849
Cash balance, beginning of year	<u>3,148</u>	<u>3,148</u>	<u>3,148</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 36</u></u>	<u><u>\$ 36</u></u>	<u><u>\$ 1,885</u></u>	<u><u>\$ 1,849</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SPORTS COMPLEX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Expenditures:				
Current:				
Culture and recreation	\$ 39,110	\$ 39,110	\$ 29,194	\$ 9,916
Capital outlay	<u>166,513</u>	<u>166,513</u>	<u>53,646</u>	<u>112,867</u>
Total expenditures	<u>205,623</u>	<u>205,623</u>	<u>82,840</u>	<u>122,783</u>
Net change in cash balance	(205,623)	(205,623)	(82,840)	122,783
Cash balance, beginning of year	<u>205,623</u>	<u>205,623</u>	<u>205,623</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 122,783</u></u>	<u><u>\$ 122,783</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMMUNITY DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 400,000	\$ 400,000	\$ 400,000	\$ -
Expenditures:				
Current:				
Economic development	2,300	2,300	835	1,465
Capital outlay	748,978	825,216	823,422	1,794
Total expenditures	751,278	827,516	824,257	3,259
Excess (deficiency) of revenues over expenditures	(351,278)	(427,516)	(424,257)	3,259
Other Financing Sources (Uses):				
Transfers in	348,042	424,280	421,021	(3,259)
Net change in cash balance	(3,236)	(3,236)	(3,236)	-
Cash balance, beginning of year	3,236	3,236	3,236	-
Cash balance, end of year	\$ -	\$ -	\$ -	\$ -

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
FOR THE YEAR ENDED JUNE 30, 2011

	E-911 Fund	Fire Protection Fund	Recreation Fund	Lodgers' Tax Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ -	\$ 345,687	\$ 20,814	\$ 870,355
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>134</u>	<u>(2,647)</u>	<u>20,112</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ -</u>	<u>\$ 345,821</u>	<u>\$ 18,167</u>	<u>\$ 890,467</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 1,230	\$ 232,368	\$ 352,766	\$ 621,976
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>(2,688)</u>	<u>1,190</u>	<u>8,448</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ 1,230</u>	<u>\$ 229,680</u>	<u>\$ 353,956</u>	<u>\$ 630,424</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) "transfers in and (out)" from the budgetary comparison statement.	\$ -	\$ (5,898)	\$ 334,820	\$ (100,000)
Differences - Budget to GAAP:				
None.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ -</u>	<u>\$ (5,898)</u>	<u>\$ 334,820</u>	<u>\$ (100,000)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	Airport Fund	Emergency Medical Services Fund	Local Government Corrections Fund	Special Police Program Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 469,708	\$ 20,000	\$ 109,928	\$ 4,537
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>10,670</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances.	<u><u>\$ 480,378</u></u>	<u><u>\$ 20,000</u></u>	<u><u>\$ 109,928</u></u>	<u><u>\$ 4,537</u></u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 303,813	\$ 20,060	\$ 203,661	\$ 6,221
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>3,882</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances.	<u><u>\$ 303,813</u></u>	<u><u>\$ 20,060</u></u>	<u><u>\$ 207,543</u></u>	<u><u>\$ 6,221</u></u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) "transfers in and (out)" from the budgetary comparison statement.	\$ -	\$ -	\$ 170,000	\$ -
Differences - Budget to GAAP:				
None.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances.	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 170,000</u></u>	<u><u>\$ -</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	Law Enforcement Protection Fund	RSVP Program Fund	Sports Complex Fund	Community Development Fund
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 58,800	\$ 52,289	\$ -	\$ 400,000
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.	-	(572)	-	(165,877)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ 58,800</u>	<u>\$ 51,717</u>	<u>\$ -</u>	<u>\$ 234,123</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 41,946	\$ 53,552	\$ 82,840	\$ 824,257
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	(305)	430	8,535	(42,938)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ 41,641</u>	<u>\$ 53,982</u>	<u>\$ 91,375</u>	<u>\$ 781,319</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) "transfers in and (out)" from the budgetary comparison statement.	\$ (17,793)	\$ -	\$ -	\$ 421,021
Differences - Budget to GAAP:				
None.	-	-	-	-
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ (17,793)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 421,021</u>

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

**MAJOR CAPITAL PROJECT FUND
BUDGETARY COMPARISON STATEMENT**

STATE OF NEW MEXICO
CITY OF CARLSBAD
GRT CAPITAL OUTLAY 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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
State shared taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,945,957	\$ 445,957
Expenditures:				
Capital outlay	<u>6,447,544</u>	<u>6,447,544</u>	<u>1,213,422</u>	<u>5,234,122</u>
Excess (deficiency) of revenues over expenditures	(4,947,544)	(4,947,544)	732,535	5,680,079
Other Financing Sources (Uses):				
Transfers (out)	<u>(1,595,544)</u>	<u>(1,595,544)</u>	<u>(1,595,544)</u>	<u>-</u>
Net change in cash balance	(6,543,088)	(6,543,088)	(863,009)	5,680,079
Cash balance, beginning of year	<u>6,740,136</u>	<u>6,740,136</u>	<u>6,740,136</u>	<u>-</u>
Cash balance, end of year	<u>\$ 197,048</u>	<u>\$ 197,048</u>	<u>\$ 5,877,127</u>	<u>\$ 5,680,079</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
FOR THE YEAR ENDED JUNE 30, 2011

	<u>GRT Capital Outlay Fund</u>
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 1,945,957
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>21,689</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ 1,967,646</u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 1,213,422
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>119,109</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ 1,332,531</u>
Other Sources (Uses) of Resources:	
Actual amounts (budgetary basis) "transfers in and (out)" from the budgetary comparison statement.	\$ (1,595,544)
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>(12,263)</u>
Total other financial sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ (1,607,807)</u>

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

**OTHER CAPITAL PROJECT FUNDS
BUDGETARY COMPARISON STATEMENTS**

STATE OF NEW MEXICO
CITY OF CARLSBAD
PARK IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 187,908	\$ 187,908	\$ 35,156	\$ (152,752)
Charges for services	4,700	4,700	5,075	375
Total revenues	192,608	192,608	40,231	(152,377)
Expenditures:				
Current:				
Culture and recreation	35,000	36,000	29,995	6,005
Capital outlay	241,938	241,938	188,915	53,023
Total expenditures	276,938	277,938	218,910	59,028
Net change in cash balance	(84,330)	(85,330)	(178,679)	(93,349)
Cash balance, beginning of year	91,337	91,337	91,337	-
Cash advanced from CIEP fund	-	-	87,342	87,342
Cash balance, end of year	<u>\$ 7,007</u>	<u>\$ 6,007</u>	<u>\$ -</u>	<u>\$ (6,007)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
STREET SYSTEM IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Public service taxes	\$ 410,000	\$ 410,000	\$ 449,395	\$ 39,395
Intergovernmental	132,684	182,684	-	(182,684)
Licenses and permits	80,000	80,000	76,099	(3,901)
Interest	-	-	2,343	2,343
	<u>622,684</u>	<u>672,684</u>	<u>527,837</u>	<u>(144,847)</u>
Total revenues				
Expenditures:				
Current:				
Public works	554,600	554,233	536,752	17,481
Capital outlay	718,650	674,613	417,720	256,893
	<u>1,273,250</u>	<u>1,228,846</u>	<u>954,472</u>	<u>274,374</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(650,566)	(556,162)	(426,635)	129,527
Other Financing Sources (Uses):				
Transfers (out)	(348,042)	(424,647)	(421,389)	3,258
Net change in cash balance	(998,608)	(980,809)	(848,024)	132,785
Cash balance, beginning of year	1,372,131	1,372,131	1,372,131	-
Cash balance, end of year	<u>\$ 373,523</u>	<u>\$ 391,322</u>	<u>\$ 524,107</u>	<u>\$ 132,785</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATE LEGISLATIVE 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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 1,940,089	\$ 1,984,764	\$ 1,265,696	\$ (719,068)
Miscellaneous	202	202	202	-
Total revenues	1,940,291	1,984,966	1,265,898	(719,068)
Expenditures:				
Current:				
Public works	76,339	76,339	76,338	1
Capital outlay	1,360,824	1,405,499	671,129	734,370
Total expenditures	1,437,163	1,481,838	747,467	734,371
Excess of revenues over expenditures	503,128	503,128	518,431	15,303
Other Financing Sources (Uses):				
Transfers (out)	(8,966)	(8,966)	(8,966)	-
Net change in cash balance	494,162	494,162	509,465	15,303
Cash balance, beginning of year	13,843	13,843	13,843	-
Cash repaid to joint water and sewer fund	-	-	(508,004)	(508,004)
Cash advanced from CIEP fund	-	-	2,268	2,268
Cash balance, end of year	<u>\$ 508,005</u>	<u>\$ 508,005</u>	<u>\$ 17,572</u>	<u>\$ (490,433)</u>

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
CIEP FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ -	\$ 250,000	\$ -	\$ (250,000)
Charges for services	1,000	1,000	-	(1,000)
Miscellaneous	-	-	22,112	22,112
	<u>1,000</u>	<u>251,000</u>	<u>22,112</u>	<u>(228,888)</u>
Total revenues	1,000	251,000	22,112	(228,888)
Expenditures:				
Current:				
Economic development	54,000	40,543	39,374	1,169
Capital outlay	900,000	2,281,597	347,076	1,934,521
	<u>954,000</u>	<u>2,322,140</u>	<u>386,450</u>	<u>1,935,690</u>
Total expenditures	954,000	2,322,140	386,450	1,935,690
Excess (deficiency) of revenues over expenditures	(953,000)	(2,071,140)	(364,338)	1,706,802
Other Financing Sources (Uses):				
Transfers in	203,484	1,451,234	1,451,234	-
	<u>203,484</u>	<u>1,451,234</u>	<u>1,451,234</u>	<u>-</u>
Net change in cash balance	(749,516)	(619,906)	1,086,896	1,706,802
Cash balance, beginning of year	1,079,369	1,079,369	1,079,369	-
Cash advanced to Park Improvement fund	-	-	(87,342)	(87,342)
Cash advanced to State Legislative fund	-	-	(2,268)	(2,268)
	<u>-</u>	<u>-</u>	<u>(2,268)</u>	<u>(2,268)</u>
Cash balance, end of year	\$ 329,853	\$ 459,463	\$ 2,076,655	\$ 1,617,192

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
FEDERAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 2,888,654	\$ 2,996,454	\$ 1,723,941	\$ (1,272,513)
Expenditures:				
Capital outlay	<u>3,706,895</u>	<u>3,782,220</u>	<u>2,271,515</u>	<u>1,510,705</u>
Excess (deficiency) of revenues over expenditures	(818,241)	(785,766)	(547,574)	238,192
Other Financing Sources (Uses):				
Transfers in	210,713	178,238	178,238	-
Transfers (out)	(1,000,000)	(1,000,000)	-	1,000,000
Loan proceeds	<u>592,083</u>	<u>592,083</u>	<u>445,100</u>	<u>(146,983)</u>
Total other financing sources (uses)	<u>(197,204)</u>	<u>(229,679)</u>	<u>623,338</u>	<u>853,017</u>
Net change in cash balance	(1,015,445)	(1,015,445)	75,764	1,091,209
Cash balance, beginning of year	<u>1,015,445</u>	<u>1,015,445</u>	<u>1,015,445</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,091,209</u></u>	<u><u>\$ 1,091,209</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NATIONAL CAVE-KARST INSTITUTE 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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Expenditures:				
Capital outlay	\$ 19,023	\$ 19,023	\$ 19,023	\$ -
(Deficiency) of revenues over expenditures	(19,023)	(19,023)	(19,023)	-
Other Financing Sources (Uses):				
Transfers in	2,342	2,342	2,342	-
Net change in cash balance	(16,681)	(16,681)	(16,681)	-
Cash balance, beginning of year	16,681	16,681	16,681	-
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
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	Park Improvement Fund	Street System Improvement Fund	State Legislative Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 40,231	\$ 527,837	\$ 1,265,898
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>149,057</u>	<u>72,830</u>	<u>(793,074)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ 189,288</u>	<u>\$ 600,667</u>	<u>\$ 472,824</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 218,910	\$ 954,472	\$ 747,467
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>(25,785)</u>	<u>(287,645)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ 218,910</u>	<u>\$ 928,687</u>	<u>\$ 459,822</u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) "transfers in and (out)" from the budgetary comparison statement.	\$ -	\$ (421,389)	\$ (8,966)
Differences - Budget to GAAP:			
The City budgets for capital improvements to the various funds within the capital project funds. The City chose to transfer the amount capitalized within the various funds. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>(99,842)</u>
Total other financial sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ -</u>	<u>\$ (421,389)</u>	<u>\$ (108,808)</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
FOR THE YEAR ENDED JUNE 30, 2011

	CIEP Fund	Federal Projects Fund	National Cave-Karst Institute Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 22,112	\$ 1,723,941	\$ -
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>(225,468)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ 22,112</u>	<u>\$ 1,498,473</u>	<u>\$ -</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 386,450	\$ 2,271,515	\$ 19,023
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>(134,611)</u>	<u>(1,984,170)</u>	<u>(19,023)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ 251,839</u>	<u>\$ 287,345</u>	<u>\$ -</u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) "transfers in and (out)" from the budgetary comparison statement.	\$ 1,451,234	\$ 623,338	\$ 2,342
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.	(128,444)	(1,369,729)	-
The city budgets for loan proceeds within the capital project funds. The City chose to transfer the loan proceeds to the joint water and sewer fund. The loan proceeds are not recorded for financial reporting purposes.	<u>-</u>	<u>(445,100)</u>	<u>-</u>
Total other financial sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ 1,322,790</u>	<u>\$ (1,191,491)</u>	<u>\$ 2,342</u>

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

**OTHER DEBT SERVICE FUNDS
BUDGETARY COMPARISON STATEMENTS**

STATE OF NEW MEXICO
CITY OF CARLSBAD
SPORTS COMPLEX 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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Gross receipts taxes	\$ 850,000	\$ 850,000	\$ 1,086,865	\$ 236,865
Expenditures:				
Current:				
Culture and recreation	398,597	410,696	379,649	31,047
Capital outlay	48,100	71,528	17,215	54,313
Debt service:				
Principal	376,608	376,608	376,608	-
Interest	51,692	51,692	51,691	1
Total expenditures	<u>874,997</u>	<u>910,524</u>	<u>825,163</u>	<u>85,361</u>
Excess (deficiency) of revenues over expenditures	(24,997)	(60,524)	261,702	322,226
Other Financing Sources (Uses):				
Transfers in	<u>-</u>	<u>12,099</u>	<u>12,099</u>	<u>-</u>
Net change in cash balance	(24,997)	(48,425)	273,801	322,226
Cash balance, beginning of year	<u>1,578,127</u>	<u>1,578,127</u>	<u>1,578,127</u>	<u>-</u>
Cash balance, end of year	<u>\$ 1,553,130</u>	<u>\$ 1,529,702</u>	<u>\$ 1,851,928</u>	<u>\$ 322,226</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
2002 SALES TAX BONDS 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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Expenditures:				
Debt service:				
Principal	\$ 270,000	\$ 270,000	\$ 270,000	\$ -
Interest	102,120	102,120	102,120	-
Total expenditures	372,120	372,120	372,120	-
Other Financing Sources (Uses):				
Transfers in	372,120	372,120	372,120	-
Net change in cash balance	-	-	-	-
Cash balance, beginning of year	18,744	18,744	18,744	-
Cash balance, end of year	\$ 18,744	\$ 18,744	\$ 18,744	\$ -

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
 NM FINANCE AUTHORITY LOAN 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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Expenditures:				
Debt service:				
Principal	\$ 597,255	\$ 597,255	\$ 19,819	\$ 577,436
Interest	238	238	952	(714)
Total expenditures	<u>597,493</u>	<u>597,493</u>	<u>20,771</u>	<u>576,722</u>
(Deficiency) of revenues over expenditures	(597,493)	(597,493)	(20,771)	576,722
Other Financing Sources (Uses):				
Transfers in	<u>922,493</u>	<u>922,493</u>	<u>20,772</u>	<u>(901,721)</u>
Net change in cash balance	325,000	325,000	1	(324,999)
Cash balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance, end of year	<u>\$ 325,000</u>	<u>\$ 325,000</u>	<u>\$ 1</u>	<u>\$ (324,999)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
GRT CAPITAL OUTLAY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Expenditures:				
Debt service:				
Principal	\$ 1,315,000	\$ 1,315,000	\$ 1,315,000	\$ -
Interest	280,544	280,544	280,544	-
Total expenditures	<u>1,595,544</u>	<u>1,595,544</u>	<u>1,595,544</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(1,595,544)	(1,595,544)	(1,595,544)	-
Other Financing Sources (Uses):				
Transfers in	<u>1,595,544</u>	<u>1,595,544</u>	<u>1,595,544</u>	<u>-</u>
Net change in cash balance	-	-	-	-
Cash balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Sports Complex Fund</u>	<u>2002 Sales Tax Bonds Fund</u>	<u>New Mexico Finance Authority Loan Fund</u>	<u>Capital Outlay GRT Fund</u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 1,086,865	\$ -	\$ -	\$ -
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.	13,165	-	-	-
Interest income earned within debt reserve accounts are considered available for budgetary purposes while the revenue is included for financial reporting purposes.	<u>251</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ 1,100,281</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 825,163	\$ 372,120	\$ 20,771	\$ 1,595,544
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.	1,260	-	-	-
In the prior year, the City budgeted the loan activity within the joint water and sewer fund. The loan activity was reclassified in the current year and recorded as an expenditure for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>(15,362)</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ 826,423</u>	<u>\$ 372,120</u>	<u>\$ 5,409</u>	<u>\$ 1,595,544</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) "transfers in and (out)" from the budgetary comparison statement.	\$ 12,099	\$ 372,120	\$ 20,772	\$ 1,595,544
Differences - Budget to GAAP:				
In the prior year, the City budgeted the loan activity within the joint water and sewer fund. The loan activity was reclassified in the current year and recorded as an expenditure for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>(15,362)</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$ 12,099</u>	<u>\$ 372,120</u>	<u>\$ 5,410</u>	<u>\$ 1,595,544</u>

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

**COMBINING AND INDIVIDUAL OTHER
ENTERPRISE FUNDS FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF NET ASSETS
OTHER ENTERPRISE FUNDS
JUNE 30, 2011

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Center Fund	Cemetery Fund	Total
Assets:					
Current assets:					
Cash	\$ 24,827	\$ 20,164	\$ 32,796	\$ 531,954	\$ 609,741
Receivables, net	-	57,574	1,900	-	59,474
Due from other funds	4,491	-	-	-	4,491
Total current assets	29,318	77,738	34,696	531,954	673,706
Noncurrent assets:					
Capital assets:					
Land	-	49,851	110,000	41,626	201,477
Construction in progress	-	-	-	140,925	140,925
Buildings	-	1,036,420	1,908,084	412,724	3,357,228
Improvements	-	-	-	304,068	304,068
Equipment	-	723,092	137,441	320	860,853
Less accumulated depreciation	-	(595,484)	(876,388)	(206,769)	(1,678,641)
Total capital assets, net	-	1,213,879	1,279,137	692,894	3,185,910
Total assets	29,318	1,291,617	1,313,833	1,224,848	3,859,616
Liabilities:					
Current liabilities:					
Accounts payable	-	11,531	11,998	7,958	31,487
Accrued salaries	-	32,963	-	-	32,963
Current maturities of:					
Compensated absences	-	7,925	283	-	8,208
Total current liabilities	-	52,419	12,281	7,958	72,658
Noncurrent liabilities:					
Compensated absences	-	6,043	-	-	6,043
Total liabilities	-	58,462	12,281	7,958	78,701
Net assets:					
Invested in capital assets	-	1,213,879	1,279,137	692,894	3,185,910
Unrestricted	29,318	19,276	22,415	523,996	595,005
Total net assets	\$ 29,318	\$ 1,233,155	\$ 1,301,552	\$ 1,216,890	\$ 3,780,915

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
OTHER ENTERPRISE FUNDS
JUNE 30, 2011

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Center Fund	Cemetery Fund	Total
Operating Revenues:					
Charges for services	\$ 7,858	\$ 69,968	\$ 11,290	\$ 131,376	\$ 220,492
Operating Expenses:					
Personnel services	-	571,251	43,452	-	614,703
Utilities	-	8,675	1,440	42,960	53,075
Contractual services	7,915	3,404	98,958	305,984	416,261
Repairs and maintenance	-	22,683	7,360	273	30,316
Other operating expenses	6,469	116,325	890	11,391	135,075
Depreciation and amortization	-	110,320	72,558	21,094	203,972
Total operating expenses	<u>14,384</u>	<u>832,658</u>	<u>224,658</u>	<u>381,702</u>	<u>1,453,402</u>
Operating (loss)	(6,526)	(762,690)	(213,368)	(250,326)	(1,232,910)
Non-Operating Revenues (Expenses):					
Intergovernmental	-	354,985	-	294,165	649,150
Miscellaneous	4,781	4,889	-	60,000	69,670
Total non-operating revenues (expenses)	<u>4,781</u>	<u>359,874</u>	<u>-</u>	<u>354,165</u>	<u>718,820</u>
Income (loss) before capital contributions and transfers	(1,745)	(402,816)	(213,368)	103,839	(514,090)
Capital Contributions and Transfers:					
Capital contributions	-	32,520	-	-	32,520
Transfers in	-	559,342	132,845	253,427	945,614
Transfers (out)	-	(21,455)	-	-	(21,455)
Total capital contributions and transfers	<u>-</u>	<u>570,407</u>	<u>132,845</u>	<u>253,427</u>	<u>956,679</u>
Change in net assets	(1,745)	167,591	(80,523)	357,266	442,589
Net assets, beginning of year	<u>31,063</u>	<u>1,065,564</u>	<u>1,382,075</u>	<u>859,624</u>	<u>3,338,326</u>
Net assets, end of year	<u>\$ 29,318</u>	<u>\$ 1,233,155</u>	<u>\$ 1,301,552</u>	<u>\$ 1,216,890</u>	<u>\$ 3,780,915</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Center Fund	Cemetery Fund	Total
Cash Flows From Operating Activities:					
Cash received from customers	\$ 7,837	\$ 70,089	\$ 9,390	\$ 131,476	\$ 218,792
Cash payments to suppliers for goods and services	(14,384)	(146,374)	(96,817)	(367,353)	(624,928)
Cash payments to employees for services	-	(559,108)	(45,176)	-	(604,284)
Net cash (used) by operating activities	(6,547)	(635,393)	(132,603)	(235,877)	(1,010,420)
Cash Flows for Non-Capital and Financing Activities:					
Cash received from intergovernmental sources	-	365,081	-	261,645	626,726
Cash received from capital contributions	-	-	-	32,520	32,520
Cash received from miscellaneous sources	4,781	4,889	-	60,000	69,670
Net transfers in (out)	-	229,725	132,845	251,001	613,571
Net cash provided by non-capital and financing activities	4,781	599,695	132,845	605,166	1,342,487
Cash Flows From Capital and Related Financing Activities:					
Acquisition of capital assets	-	(47,085)	-	(29,969)	(77,054)
Net increase (decrease) in cash	(1,766)	(82,783)	242	339,320	255,013
Cash and cash equivalents, beginning of year	26,593	102,947	32,554	192,634	354,728
Cash and cash equivalents, end of year	<u>\$ 24,827</u>	<u>\$ 20,164</u>	<u>\$ 32,796</u>	<u>\$ 531,954</u>	<u>\$ 609,741</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating (loss)	\$ (6,526)	\$ (762,690)	\$ (213,368)	\$ (250,326)	\$ (1,232,910)
Adjustment to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	-	110,320	72,558	21,094	203,972
Change in Assets and Liabilities:					
(Increase) in accounts receivable	-	121	(1,900)	100	(1,679)
Increase (decrease) in accounts payable	(21)	4,713	11,832	(6,745)	9,779
Increase (decrease) in accrued salaries	-	9,417	(1,749)	-	7,668
Increase (decrease) in compensated absences	-	2,726	24	-	2,750
Total adjustments	(21)	127,297	80,765	14,449	222,490
Net cash (used) by operating activities	<u>\$ (6,547)</u>	<u>\$ (635,393)</u>	<u>\$ (132,603)</u>	<u>\$ (235,877)</u>	<u>\$ (1,010,420)</u>

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

**MAJOR ENTERPRISE FUNDS
BUDGETARY COMPARISON STATEMENTS**

STATE OF NEW MEXICO
CITY OF CARLSBAD
SOLID WASTE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 3,816,250	\$ 3,816,250	\$ 3,661,095	\$ (155,155)
Operating Expenses:				
Personnel services	1,361,240	1,409,802	1,296,457	113,345
Utilities	300	300	93	207
Contractual services	98,480	98,480	64,826	33,654
Repairs and maintenance	328,000	335,000	326,388	8,612
Other operating expenses	1,052,505	1,045,138	926,584	118,554
Total operating expenses	<u>2,840,525</u>	<u>2,888,720</u>	<u>2,614,348</u>	<u>274,372</u>
Operating income	975,725	927,530	1,046,747	119,217
Non-Operating Revenues (Expenses):				
Gross receipts taxes	428,676	428,676	543,906	115,230
Intergovernmental	111,000	111,000	-	(111,000)
Interest income	1,000	1,000	3,123	2,123
Sale of assets	-	-	2,677	2,677
Debt service - principal	(65,603)	(65,603)	(65,602)	1
Capital outlay	(1,436,000)	(54,785)	(4,536)	50,249
Total non-operating revenues (expenses)	<u>(960,927)</u>	<u>420,288</u>	<u>479,568</u>	<u>59,280</u>
Income before other financing sources (uses)	14,798	1,347,818	1,526,315	178,497
Other Financing Sources (Uses):				
Transfers in	-	48,562	48,548	(14)
Transfers (out)	(748,735)	(1,946,860)	(1,946,860)	-
Total other financing sources (uses)	<u>(748,735)</u>	<u>(1,898,298)</u>	<u>(1,898,312)</u>	<u>(14)</u>
Net change in cash balance	(733,937)	(550,480)	(371,997)	178,483
Cash balance, beginning of year	<u>3,509,858</u>	<u>3,509,858</u>	<u>3,509,858</u>	<u>-</u>
Cash balance, end of year	<u>\$ 2,775,921</u>	<u>\$ 2,959,378</u>	<u>\$ 3,137,861</u>	<u>\$ 178,483</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
JOINT WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 8,580,000	\$ 8,580,000	\$ 11,444,490	\$ 2,864,490
Operating Expenses:				
Personnel services	3,216,591	3,323,984	3,223,291	100,693
Utilities	1,058,895	984,895	767,276	217,619
Contractual services	301,535	301,535	305,561	(4,026)
Repairs and maintenance	391,400	645,400	662,100	(16,700)
Other operating expenses	782,505	815,021	786,267	28,754
Total operating expenses	<u>5,750,926</u>	<u>6,070,835</u>	<u>5,744,495</u>	<u>326,340</u>
Operating income	2,829,074	2,509,165	5,699,995	3,190,830
Non-Operating Revenues (Expenses):				
Intergovernmental	-	-	12,203	12,203
Interest income	127,000	127,000	177,147	50,147
Miscellaneous	-	-	2,058	2,058
Sale of assets	2,000	2,000	300,994	298,994
Capital outlay	(25,409,464)	(26,360,369)	(3,297,484)	23,062,885
Debt service - principal	(775,000)	(775,000)	(775,000)	-
Interest expense	(848,107)	(848,107)	(848,106)	1
Total non-operating revenues (expenses)	<u>(26,903,571)</u>	<u>(27,854,476)</u>	<u>(4,428,188)</u>	<u>23,426,288</u>
Income (loss) before other financing sources (uses)	(24,074,497)	(25,345,311)	1,271,807	26,617,118
Other Financing Sources (Uses):				
Transfers in	1,723,107	1,830,500	1,009,114	(821,386)
Transfers (out)	(4,813,465)	(4,814,900)	(3,091,793)	1,723,107
Loan proceeds	18,000,000	18,000,000	2,505,297	(15,494,703)
Total other financing sources (uses)	<u>14,909,642</u>	<u>15,015,600</u>	<u>422,618</u>	<u>(14,592,982)</u>
Net change in cash balance	(9,164,855)	(10,329,711)	1,694,425	12,024,136
Cash balance, beginning of year	13,241,542	13,241,542	13,241,542	-
Cash paid from state legislative fund	-	-	508,004	508,004
Cash balance, end of year	<u>\$ 4,076,687</u>	<u>\$ 2,911,831</u>	<u>\$ 15,443,971</u>	<u>\$ 12,532,140</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
FOR THE YEAR ENDED JUNE 30, 2011

	Solid Waste Fund	Joint Water and Sewer Fund
	<u> </u>	<u> </u>
Sources/Inflows of Non-Operating Resources:		
Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedule.	\$ 3,661,095	\$ 11,444,490
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>1,922</u>	<u>415,603</u>
Total operating revenues as reported on the statement of revenues, expenss, and changes in fund net assets.	<u>\$ 3,663,017</u>	<u>\$ 11,860,093</u>
Uses/Outflows of Non-Operating Resources:		
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 2,614,348	\$ 5,744,495
Differences - Budget to GAAP:		
Changes to the consumable inventories are not accounted for within the budgetary basis. The increase in inventories adds to the operating expenses for financial reporting purposes.	-	(77,273)
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.	(290,957)	(14,485)
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.	13,591	31,502
Depreciation and amortization expenses are not considered an outflow of operating resources for budgetary basis but are considered expenses for financial reporting purposes.	233,752	1,540,398
The City budgets on-going landfill post-closure expenses as a current year expenditure. For financial reporting purposes, the City has recognized the expense and the liability as the landfill was filled with solid waste.	<u>42,758</u>	<u>-</u>
Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 2,613,492</u>	<u>\$ 7,224,637</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
FOR THE YEAR ENDED JUNE 30, 2011

	Solid Waste Fund	Joint Water and Sewer Fund
	<u> </u>	<u> </u>
Sources/Inflows of Operating Resources:		
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 549,706	\$ 492,402
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>119,603</u>	<u>(6,246)</u>
Total non-operating revenues as reported on the statement of revenues, expenses and changes in fund net assets.	<u><u>\$ 669,309</u></u>	<u><u>\$ 486,156</u></u>
Uses/Outflows of Operating Resources:		
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ 70,138	\$ 4,920,590
Differences - Budget to GAAP:		
The City budgets for interest on long-term debt paid for during the current accounting period. Accrual of interest in the budgetary basis but are expenses for financial reporting purposes.	(57,186)	(686,451)
The City does not budget for unrealized losses. Unrealized losses on investments are reflected as an non-operating expenses for financial reporting purposes.	-	60,576
The City budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes.	<u>(4,536)</u>	<u>(3,297,484)</u>
Total non-operating expenses as reported on the statement of revenues, expenses and changes in fund net assets.	<u><u>\$ 8,416</u></u>	<u><u>\$ 997,231</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
FOR THE YEAR ENDED JUNE 30, 2011

	Solid Waste Fund	Joint Water and Sewer Fund
	<u> </u>	<u> </u>
Sources/Inflows of Other Financing Resources:		
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	\$ 48,548	\$ 1,009,114
Differences - Budget to GAAP:		
During the fiscal year, the City purchased capital within the various capital project funds. The City chose to transfer the amount capitalized from the various capital project funds to the respective enterprise fund. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	<u>1,497,830</u>	<u>1,020,099</u>
Total other financing sources as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ 1,546,378</u>	<u>\$ 2,029,213</u>
Uses/Outflows of Other Financing Sources:		
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ (1,946,860)	\$ (3,091,793)
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 respective enterprise funds to the various capital project funds. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	<u>-</u>	<u>361,440</u>
Total uses/outflows of other financing sources as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ (1,946,860)</u>	<u>\$ (2,730,353)</u>
Uses/Outflows of Other Financing Sources:		
Actual amounts (budgetary basis) "loan proceeds" from the budgetary comparison schedule.	\$ -	\$ 2,505,297
Differences - Budget to GAAP:		
During the fiscal year, the City received loan proceeds which were recorded as other financing sources for budgetary purposes. Such receipts are not recorded as other financing sources for financial reporting purposes.	<u>-</u>	<u>(2,505,297)</u>
Total uses/outflows of other financing sources as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ -</u>	<u>\$ -</u>

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

**OTHER ENTERPRISE FUNDS
BUDGETARY COMPARISON STATEMENTS**

STATE OF NEW MEXICO
CITY OF CARLSBAD
MUSEUM GIFT SHOP FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 9,400	\$ 9,400	\$ 7,837	\$ (1,563)
Operating Expenses:				
Contractual services	11,000	11,000	7,915	3,085
Repairs and maintenance	50	50	-	50
Other operating expenses	8,850	8,850	6,469	2,381
Total operating expenses	19,900	19,900	14,384	5,516
Operating income (loss)	(10,500)	(10,500)	(6,547)	3,953
Non-Operating Revenues (Expenses):				
Miscellaneous	750	750	4,781	4,031
Capital outlay	(10,000)	(10,000)	-	10,000
Total non-operating revenues (expenses)	(9,250)	(9,250)	4,781	14,031
Net change in cash balance	(19,750)	(19,750)	(1,766)	17,984
Cash balance, beginning of year	26,593	26,593	26,593	-
Cash balance, end of year	<u>\$ 6,843</u>	<u>\$ 6,843</u>	<u>\$ 24,827</u>	<u>\$ 17,984</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
MUNICIPAL TRANSIT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 64,500	\$ 64,500	\$ 70,089	\$ 5,589
Operating Expenses:				
Personnel services	550,568	573,748	559,108	14,640
Utilities	9,670	9,670	8,700	970
Contractual services	6,000	6,000	3,444	2,556
Repairs and maintenance	21,500	21,500	22,683	(1,183)
Other operating expenses	100,250	100,250	92,424	7,826
Total operating expenses	687,988	711,168	686,359	24,809
Operating (loss)	(623,488)	(646,668)	(616,270)	30,398
Non-Operating Revenues (Expenses):				
Intergovernmental	363,874	444,798	365,081	(79,717)
Miscellaneous	-	-	4,889	4,889
Capital outlay	(56,357)	(129,458)	(66,208)	63,250
Total non-operating revenues (expenses)	307,517	315,340	303,762	(11,578)
Income (loss) before other financing sources (uses)	(315,971)	(331,328)	(312,508)	18,820
Other Financing Sources (Uses):				
Transfers in	235,000	251,180	251,180	-
Transfers (out)	(21,455)	(21,455)	(21,455)	-
Total other financing sources (uses)	213,545	229,725	229,725	-
Net change in cash balance	(102,426)	(101,603)	(82,783)	18,820
Cash balance, beginning of year	102,947	102,947	102,947	-
Cash balance, end of year	\$ 521	\$ 1,344	\$ 20,164	\$ 18,820

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
PERFORMING ARTS CENTER FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 12,000	\$ 12,000	\$ 9,390	\$ (2,610)
Operating Expenses:				
Personnel services	47,031	49,877	45,176	4,701
Utilities	-	1,500	1,452	48
Contractual services	95,000	95,000	87,083	7,917
Repairs and maintenance	10,250	10,250	7,360	2,890
Other operating expenses	1,325	1,325	922	403
Total operating expenses	153,606	157,952	141,993	15,959
Operating (loss)	(141,606)	(145,952)	(132,603)	13,349
Non-Operating Revenues (Expenses):				
Miscellaneous	-	1,500	-	(1,500)
Income (loss) before other financing sources (uses)	(141,606)	(144,452)	(132,603)	11,849
Other Financing Sources (Uses):				
Transfers in	130,000	132,846	132,845	(1)
Net change in cash balance	(11,606)	(11,606)	242	11,848
Cash balance, beginning of year	32,554	32,554	32,554	-
Cash balance, end of year	\$ 20,948	\$ 20,948	\$ 32,796	\$ 11,848

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 171,600	\$ 171,600	\$ 131,476	\$ (40,124)
Operating Expenses:				
Utilities	120,000	120,000	47,799	72,201
Contractual services	300,000	350,000	310,315	39,685
Repairs and maintenance	-	-	273	(273)
Other operating expenses	14,000	14,000	11,391	2,609
Total operating expenses	434,000	484,000	369,778	114,222
Operating income (loss)	(262,400)	(312,400)	(238,302)	74,098
Non-Operating Revenues (Expenses):				
Intergovernmental	200,000	200,000	294,165	94,165
Miscellaneous	-	-	60,000	60,000
Capital outlay	(300,000)	(300,000)	(27,544)	272,456
Total non-operating revenues (expenses)	(100,000)	(100,000)	326,621	426,621
Income (loss) before other financing sources (uses)	(362,400)	(412,400)	88,319	500,719
Other Financing Sources (Uses):				
Transfers in	201,001	251,001	251,001	-
Net change in cash balance	(161,399)	(161,399)	339,320	500,719
Cash balance, beginning of year	192,634	192,634	192,634	-
Cash balance, end of year	\$ 31,235	\$ 31,235	\$ 531,954	\$ 500,719

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
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Museum Gift Shop Fund</u>	<u>Municipal Transit Fund</u>	<u>Performing Arts Center Fund</u>	<u>Cemetery Fund</u>
Sources/Inflows of Operating Resources:				
Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedule.	\$ 7,837	\$ 70,089	\$ 9,390	\$ 131,476
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>21</u>	<u>(121)</u>	<u>1,900</u>	<u>(100)</u>
Total operating revenues as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ 7,858</u>	<u>\$ 69,968</u>	<u>\$ 11,290</u>	<u>\$ 131,376</u>
Uses/Outflows of Operating Resources:				
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 14,384	\$ 686,359	\$ 141,993	\$ 369,778
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.	-	48,112	10,107	(9,170)
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.	-	(12,133)	-	-
Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes.	<u>-</u>	<u>110,320</u>	<u>72,558</u>	<u>21,094</u>
Total operating expenses as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ 14,384</u>	<u>\$ 832,658</u>	<u>\$ 224,658</u>	<u>\$ 381,702</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
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Museum Gift Shop Fund</u>	<u>Municipal Transit Fund</u>	<u>Performing Arts Center Fund</u>	<u>Cemetery Fund</u>
Sources/Inflows of Non-Operating Resources:				
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 4,781	\$ 369,970	\$ -	\$ 354,165
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>-</u>	<u>(10,096)</u>	<u>-</u>	<u>-</u>
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 4,781</u>	<u>\$ 359,874</u>	<u>\$ -</u>	<u>\$ 354,165</u>
Uses/Outflows of Non-Operating Resources:				
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ -	\$ 66,208	\$ -	\$ 27,544
Differences - Budget to GAAP:				
The City budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes.	<u>-</u>	<u>(66,208)</u>	<u>-</u>	<u>(27,544)</u>
Total non-operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Museum Gift Shop Fund</u>	<u>Municipal Transit Fund</u>	<u>Performing Arts Center Fund</u>	<u>Cemetery Fund</u>
Other Financing Sources:				
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	\$ -	\$ 251,180	\$ 132,845	\$ 251,001
Differences - Budget to GAAP:				
During the fiscal year, the City purchased capital assets 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>340,682</u>	<u>-</u>	<u>2,426</u>
Total other financing sources as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ -</u>	<u>\$ 591,862</u>	<u>\$ 132,845</u>	<u>\$ 253,427</u>
Uses of Other Financing Sources:				
Actual amounts (budgetary basis) "transfers out" from the budgetary comparison schedule.	\$ -	\$ (21,455)	\$ -	\$ -
Differences - Budget to GAAP:				
None.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total (uses) of other financing sources as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ -</u>	<u>\$ (21,455)</u>	<u>\$ -</u>	<u>\$ -</u>

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

**COMBINING AND INDIVIDUAL INTERNAL
SERVICE FUNDS FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2011

	Computer Lease Equipment Fund	General Insurance Fund	Group Health Insurance Fund	Disaster Preparedness Fund	Total
Assets:					
Current assets:					
Cash	\$ 65,560	\$ 862,208	\$ 16,724	\$ 379,758	\$ 1,324,250
Receivables, net	-	11,224	186,910	-	198,134
Due from other funds	-	-	494	-	494
Total current assets	65,560	873,432	204,128	379,758	1,522,878
Noncurrent assets:					
Restricted cash	-	500,167	700,000	-	1,200,167
Total assets	65,560	1,373,599	904,128	379,758	2,723,045
Liabilities:					
Current liabilities:					
Accounts payable	-	46,698	-	975	47,673
Deferred revenues	-	-	494	-	494
Total liabilities	-	46,698	494	975	48,167
Net assets:					
Unrestricted	<u>\$ 65,560</u>	<u>\$ 1,326,901</u>	<u>\$ 903,634</u>	<u>\$ 378,783</u>	<u>\$ 2,674,878</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, 2011

	Computer Lease Equipment Fund	General Insurance Fund	Group Health Insurance Fund	Disaster Preparedness Fund	Total
Operating Revenues:					
Charges for services	\$ -	\$ 11,153	\$ 3,501,657	\$ -	\$ 3,512,810
Operating Expenses:					
Contractual services	-	-	23,750	481,584	505,334
Insurance claims and expenses	-	1,957,124	3,570,528	-	5,527,652
Other operating expenses	83,531	-	135	-	83,666
Total operating expenses	83,531	1,957,124	3,594,413	481,584	6,116,652
Operating (loss)	(83,531)	(1,945,971)	(92,756)	(481,584)	(2,603,842)
Non-Operating Revenues (Expenses):					
Interest income	-	1,237	2,636	-	3,873
Income (loss) before transfers	(83,531)	(1,944,734)	(90,120)	(481,584)	(2,599,969)
Transfers:					
Transfers in	83,425	1,676,895	-	-	1,760,320
Transfers (out)	-	-	(794,574)	-	(794,574)
Total transfers	83,425	1,676,895	(794,574)	-	965,746
Change in net assets	(106)	(267,839)	(884,694)	(481,584)	(1,634,223)
Net assets, beginning of year	65,666	1,594,740	1,788,328	860,367	4,309,101
Net assets, end of year	\$ 65,560	\$ 1,326,901	\$ 903,634	\$ 378,783	\$ 2,674,878

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, 2011

	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	\$ -	\$ -	\$ 3,370,503	\$ -	\$ 3,370,503
Cash payments to suppliers for goods and services	<u>(83,531)</u>	<u>(1,920,966)</u>	<u>(3,593,981)</u>	<u>(582,461)</u>	<u>(6,180,939)</u>
Net cash (used) by operating activities	(83,531)	(1,920,966)	(223,478)	(582,461)	(2,810,436)
Cash Flows for Non-Capital and Financing Activities:					
Net transfers in (out)	83,425	1,676,895	(794,574)	-	965,746
Cash Flows From Investing Activities:					
Interest income	<u>-</u>	<u>1,535</u>	<u>2,792</u>	<u>-</u>	<u>4,327</u>
Net (decrease) in cash	(106)	(242,536)	(1,015,260)	(582,461)	(1,840,363)
Cash and cash equivalents, beginning of year	<u>65,666</u>	<u>1,304,911</u>	<u>1,531,984</u>	<u>962,219</u>	<u>3,864,780</u>
Cash and cash equivalents, end of year	<u>\$ 65,560</u>	<u>\$ 1,062,375</u>	<u>\$ 516,724</u>	<u>\$ 379,758</u>	<u>\$ 2,024,417</u>
Displayed as:					
Cash	\$ 65,560	\$ 862,208	\$ 16,724	\$ 379,758	\$ 1,324,250
Restricted cash	-	500,167	700,000	-	1,200,167
Times deposits not considered cash equivalents	<u>-</u>	<u>(300,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>(500,000)</u>
	<u>\$ 65,560</u>	<u>\$ 1,062,375</u>	<u>\$ 516,724</u>	<u>\$ 379,758</u>	<u>\$ 2,024,417</u>
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:					
Operating (loss)	\$ (83,531)	\$ (1,945,971)	\$ (92,756)	\$ (481,584)	\$ (2,603,842)
Adjustment to Reconcile Operating (Loss) To Net Cash Provided by Operating Activities:					
Change in Assets and Liabilities:					
(Increase) in accounts receivable	-	(10,505)	(130,722)	-	(141,227)
Increase (decrease) in accounts payable	<u>-</u>	<u>35,510</u>	<u>-</u>	<u>(100,877)</u>	<u>(65,367)</u>
Total adjustments	<u>-</u>	<u>25,005</u>	<u>(130,722)</u>	<u>(100,877)</u>	<u>(206,594)</u>
Net cash (used) by operating activities	<u>\$ (83,531)</u>	<u>\$ (1,920,966)</u>	<u>\$ (223,478)</u>	<u>\$ (582,461)</u>	<u>\$ (2,810,436)</u>

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

**INTERNAL SERVICE FUNDS
BUDGETARY COMPARISON STATEMENTS**

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMPUTER LEASE EQUIPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Expenses:				
Contractual services	\$ 89,555	\$ 89,555	\$ 83,531	\$ 6,024
(Loss) before other financing sources (uses)	(89,555)	(89,555)	(83,531)	6,024
Other Financing Sources (Uses):				
Transfers in	83,425	83,425	83,425	-
Net change in cash balance	(6,130)	(6,130)	(106)	6,024
Cash balance, beginning of year	65,666	65,666	65,666	-
Cash balance, end of year	<u>\$ 59,536</u>	<u>\$ 59,536</u>	<u>\$ 65,560</u>	<u>\$ 6,024</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
GENERAL INSURANCE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Expenses:				
Insurance claims and expenses	\$ 1,703,500	\$ 2,153,500	\$ 1,920,966	\$ 232,534
Operating (loss)	(1,703,500)	(2,153,500)	(1,920,966)	232,534
Non-Operating Revenues (Expenses):				
Interest income	300	300	1,535	1,235
(Loss) before other financing sources (uses)	(1,703,200)	(2,153,200)	(1,919,431)	233,769
Other Financing Sources (Uses):				
Transfers in	1,676,895	1,676,895	1,676,895	-
Net change in cash balance	(26,305)	(476,305)	(242,536)	233,769
Cash balance, beginning of year	1,604,911	1,604,911	1,604,911	-
Cash balance, end of year	\$ 1,578,606	\$ 1,128,606	\$ 1,362,375	\$ 233,769

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
GROUP HEALTH INSURANCE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 3,300,000	\$ 3,300,000	\$ 3,370,503	\$ 70,503
Operating Expenses:				
Contractual services	-	-	23,750	(23,750)
Insurance claims and expenses	3,300,000	3,592,000	3,570,096	21,904
Other operating expenses	2,000	2,000	135	1,865
Total operating expenses	<u>3,302,000</u>	<u>3,594,000</u>	<u>3,593,981</u>	<u>19</u>
Operating income (loss)	(2,000)	(294,000)	(223,478)	70,522
Non-Operating Revenues (Expenses):				
Interest income	<u>3,000</u>	<u>3,000</u>	<u>2,792</u>	<u>(208)</u>
Income (loss) before other financing sources (uses)	1,000	(291,000)	(220,686)	70,314
Other Financing Sources (Uses):				
Transfers (out)	<u>-</u>	<u>(794,592)</u>	<u>(794,574)</u>	<u>18</u>
Net change in cash balance	1,000	(1,085,592)	(1,015,260)	70,332
Cash balance, beginning of year	<u>1,731,984</u>	<u>1,731,984</u>	<u>1,731,984</u>	<u>-</u>
Cash balance, end of year	<u>\$ 1,732,984</u>	<u>\$ 646,392</u>	<u>\$ 716,724</u>	<u>\$ 70,332</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
DISASTER PREPAREDNESS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 325,000	\$ 325,000	\$ -	\$ (325,000)
Operating Expenses:				
Contractual services	500,000	1,100,000	582,461	517,539
Net change in cash balance	(175,000)	(775,000)	(582,461)	192,539
Cash balance, beginning of year	962,219	962,219	962,219	-
Cash balance, end of year	<u>\$ 787,219</u>	<u>\$ 187,219</u>	<u>\$ 379,758</u>	<u>\$ 192,539</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
FOR THE YEAR ENDED JUNE 30, 2011

	Computer Lease Equipment Fund	General Insurance Fund	Group Health Insurance Fund	Disaster Preparedness Fund
Sources/Inflows of Operating Resources:				
Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedule.	\$ -	\$ -	\$ 3,370,503	\$ -
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.	-	11,153	131,154	-
Total operating revenues as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ -</u>	<u>\$ 11,153</u>	<u>\$ 3,501,657</u>	<u>\$ -</u>
Uses/Outflows of Operating Resources:				
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 83,531	\$ 1,920,966	\$ 3,593,981	\$ 582,461
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.	-	36,158	432	(100,877)
Total operating expenses as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ 83,531</u>	<u>\$ 1,957,124</u>	<u>\$ 3,594,413</u>	<u>\$ 481,584</u>
Sources/Inflows of Non-Operating Resources:				
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ -	\$ 1,535	\$ 2,792	\$ -
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.	-	(298)	(156)	-
Total non-operating revenues as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ -</u>	<u>\$ 1,237</u>	<u>\$ 2,636</u>	<u>\$ -</u>
Other Financing Sources:				
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	\$ 83,425	\$ 1,676,895	\$ -	\$ -
Differences - Budget to GAAP:				
None.	-	-	-	-
Total other financing sources as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ 83,425</u>	<u>\$ 1,676,895</u>	<u>\$ -</u>	<u>\$ -</u>
Uses of Other Financing Sources:				
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ -	\$ -	\$ (794,574)	\$ -
Differences - Budget to GAAP:				
None.	-	-	-	-
Total (uses) of other financing sources as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (794,574)</u>	<u>\$ -</u>

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

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2011

<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	\$ 16,679	\$ 45	\$ 16,724
Payroll Fund	Checking	331,029	(44,860)	286,169
Debt Service Fund	Checking	1,121,520	-	1,121,520
General Operating	Certificate of Deposit	200,000	-	200,000
Water & Sewer	Certificate of Deposit	500,000	-	500,000
General Operating	Certificate of Deposit	300,000	-	300,000
Health Insurance	Certificate of Deposit	250,000	-	250,000
Health Insurance	Certificate of Deposit	200,000	-	200,000
Sandpoint Landfill Reserve	Certificate of Deposit	250,000	-	250,000
Water & Sewer	Certificate of Deposit	300,000	-	300,000
General Operating	Certificate of Deposit	250,000	-	250,000
Health Insurance	Certificate of Deposit	250,000	-	250,000
WC	Certificate of Deposit	50,000	-	50,000
Lodgers' Tax	Certificate of Deposit	30,000	-	30,000
		<u>\$ 4,049,228</u>	<u>\$ (44,815)</u>	<u>\$ 4,004,413</u>
Pioneer Savings Bank P.O. Box 130 Roswell, New Mexico 88202-0130				
General/Water	Certificate of Deposit	\$ 400,215	\$ -	\$ 400,215
General	Certificate of Deposit	100,167	-	100,167
Water & Sewer	Certificate of Deposit	200,000	-	200,000
General	Certificate of Deposit	200,108	-	200,108
Sandpoint Closure Reserve	Certificate of Deposit	200,107	-	200,107
General	Certificate of Deposit	100,000	-	100,000
General	Certificate of Deposit	100,000	-	100,000
General	Certificate of Deposit	335,097	-	335,097
WC	Certificate of Deposit	100,167	-	100,167
WC	Certificate of Deposit	100,167	-	100,167
		<u>\$ 1,836,028</u>	<u>\$ -</u>	<u>\$ 1,836,028</u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2011**

Financial Institution/Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
Wells Fargo Bank, N.A. Carlsbad Office 115 W. Fox Street Carlsbad, New Mexico 88221				
General Operations	Checking	\$ 26,923,882	\$ (452,256)	\$ 26,471,626
City Fund Investment Account	Checking	620,387	21	620,408
General Operating	Certificate of Deposit	300,000	-	300,000
Worker's Compensation	Certificate of Deposit	250,000	-	250,000
Permanent Water & Sewer	Certificate of Deposit	200,000	-	200,000
Permanent Water & Sewer	Certificate of Deposit	157,735	-	157,735
Permanent Water & Sewer	Certificate of Deposit	100,000	-	100,000
Water & Sewer	Certificate of Deposit	100,000	-	100,000
		<u>\$ 28,652,004</u>	<u>\$ (452,235)</u>	<u>\$ 28,199,769</u>
Western Commerce Bank P.O. Drawer Carlsbad, New Mexico 88221-1358				
Construction Account	Checking	\$ 11,308,518	\$ (273,063)	\$ 11,035,455
Federal Projects Fund	Checking	1,142,085	110,556	1,252,641
98 Water & Sewer Bond	Certificate of Deposit	500,000	-	500,000
General Operating	Certificate of Deposit	322,274	-	322,274
General Operating	Certificate of Deposit	321,409	-	321,409
98 Water & Sewer Bond	Certificate of Deposit	300,000	-	300,000
General Operating	Certificate of Deposit	272,808	-	272,808
Water & Sewer	Certificate of Deposit	252,761	-	252,761
Sandpoint Closure Reserve	Certificate of Deposit	165,000	-	165,000
Sandpoint Closure Reserve	Certificate of Deposit	141,546	-	141,546
Sandpoint Closure Reserve	Certificate of Deposit	109,145	-	109,145
		<u>\$ 14,835,546</u>	<u>\$ (162,507)</u>	<u>\$ 14,673,039</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF PLEDGED COLLATERAL
ALL FINANCIAL INSTITUTIONS
JUNE 30, 2011

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

Security Description	CUSIP Number	Maturity Date	Current Market Value
FHLB 1356	31393EJC4	09/25/31	\$ 980,378
FHLB 1268	31394BW34	03/25/32	619,160
FHLB 1346	38374TRB2	10/16/32	1,561,171
FHLB 1341	38376EV53	10/20/39	2,097,296
			<u>\$ 5,258,005</u>

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

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

Security Description	CUSIP Number	Maturity Date	Current Market Value
GNMA II 080418	36225CPC4	06/20/30	\$ 222,171
GNMA 080477	36225CQ74	12/20/30	281,100
GNMA II 080540	36225CS64	09/20/31	255,841
GNMA II 080562	36225CTU0	12/20/31	160,268
FNMA 1 YR TR 648558	31390KQK7	06/01/32	149,433
FNMA ARM 661745	31391BES2	09/01/32	398,166
FNMA 1 YR CMT 759453	31403VWN5	01/01/34	2,012,378
FNMA 1 YR CMT 781721	31349S4E0	07/01/34	3,932,628
			<u>\$ 7,411,985</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF PLEDGED COLLATERAL
ALL FINANCIAL INSTITUTIONS
JUNE 30, 2011

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

Security Description	CUSIP Number	Maturity Date	Current Market Value
GNSF 781121	36225BG69	12/15/29	\$ 72,032
FNCL 889606	31410KKT0	12/01/35	6,756,629
FNCL 833614	31407LDT1	01/01/36	2,160,196
FNCL 895631	31410SA80	05/01/36	356,326
FNCL 831610	31407H3T1	06/01/36	311,097
FNCL 256308	31371MU96	07/01/36	4,735,383
FNCL 896547	31410TBQ7	07/01/36	832,406
FNCL 256800	31371NGH2	07/01/37	13,140
FNCL 942243	31413DHU4	08/01/37	513,180
FNCL 257262	31371NWX9	07/01/38	45,615
FNCL 985122	31415PLB2	07/01/38	65,847
FNCL 983362	31415LMK0	08/01/38	2,864,960
FNCL 985157	31415PME5	09/01/38	2,381,340
			<u>\$ 21,108,151</u>

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

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

Security Description	CUSIP Number	Maturity Date	Current Market Value
GNMA 8233	36202KEE1	06/20/17	\$ 65,363
FNMA 195638	31368PHP3	04/01/22	38,219
GNMA 8228	36202KD93	07/20/23	40,471
GNMA 8280	36202DFV2	09/20/23	39,799
SBA SERIES 2005-20 A CLASS	83162CPG2	01/01/25	616,409
GNMA 8595	36202KRQ0	02/20/25	54,975
GNMA 8608	36202KR56	03/20/25	164,843
GNMA 412570	36206JJP0	03/15/26	65,904
GNMA 80185 "B"	36225CF35	04/20/28	15,306
GNMA 80200	36225CGJ9	05/20/28	33,280
FNMA 62689 "B"	31362JUN3	06/01/28	27,343
SBA SERIES 2005-20 A CLASS	83162CRX3	07/01/28	888,146
SBA SERIES 2005-20 A CLASS	83162CRY1	08/01/28	1,737,058
GNMA 80299	36225CKM7	07/20/29	45,202
FNMA 253823	31371J4G6	04/01/31	99,644
FNMA 709279	31401H6Q0	06/01/33	119,049
FNMA 745944	61403DWD7	12/01/33	1,317,720
FNMA 807223	31406DYU4	01/01/35	245,648
GNMA 782156	36241KMD7	05/20/37	593,442
GNMA 004511	36202FAL0	08/20/39	1,937,393
GNMA AC4792	31417QKE3	10/01/39	1,407,967
			<u>\$ 9,553,181</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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Grant Number	Award Amount	Expenditures
U.S. Department of Transportation/ Federal Aviation Administration				
Airport Improvement Program	20.106	3-35-0007-020-2007	222,913	\$ 212,885
Airport Improvement Program	20.106	03-35-0007-021-2007	93,389	<u>23,772</u>
Total U.S. Department of Transportation/ Federal Aviation Administration				236,657
U.S. Department of Transportation/Passed Through NM Department of Transportation				
Highway Research and Development	20.200	STP-HPP-4269 (4) 06	176,400	120,000
Highway Research and Development	20.200	STP-D13406	986,831	83,874
Recreational Trails Program	20.219	RT07(006)	160,000	152,806
Federal Transit Capital Investments Grants ARRA	20.500	M90898	466,629	294,705
Federal Transit - Formula Grants	20.507	M00932	298,997	78,300
Federal Transit - Formula Grants	20.507	M01010	388,296	265,509
Street Improvements ARRA	20.xxx	ECO-5272 (1) 35	831,489	32,890
Job Access Reverse Commute	20.516	M00894	39,610	29,485
New Freedom Program	20.521	M00902	11,938	3,262
New Freedom Program	20.521	M01009	16,750	11,266
Minimum Penalties for Repeat Offenders DWI	20.608	11-AL-64-013	10,434	6,730
Minimum Penalties for Repeat Offenders DWI	20.608	11-63-DS-013	4,948	<u>1,186</u>
Total U.S. Department of Transportation/ Passed Through NM Department of Transportation				<u>1,080,013</u>
Total U.S. Department of Transportation				1,316,670
U.S. Environmental Protection Agency				
Clean Water State Revolving Funds - ARRA	66.458	2313-ADW	1,381,527	1,371,137
U.S. Department of Energy				
Energy Efficiency and Conversation Block Grant ARRA	81.128	DE-RW-00006	107,800	107,800
Water & Energy Appropriation Act	81.502	DE-FG29-03-AL68371	28,558,000	<u>3,304,259</u>
Total U.S. Department of Energy				3,412,059
Corporation for National and Community Service				
Retired and Senior Volunteer Program	94.002	11-624-4000-0061	46,134	46,134
U.S. Department of Homeland Security/ Federal Emergency Management Agency				
Assistance to Firefighter's Grant	97.044	EMW-2009-FO-02574	59,400	9,589
Staffing for Adequate Fire & Emergency Response	97.083	EMW-2006-FF-04223	621,000	<u>37,260</u>
				<u>46,849</u>
Total Expenditures for Federal Awards				<u>\$ 6,192,849</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

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 accrual basis of accounting, which is described in Note 1, to the City's financial statements.

3. NON-CASH ASSISTANCE

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

4. RECONCILIATION OF FINANCIAL STATEMENTS TO FEDERAL AWARDS

Federal expenditures on the schedule of expenditures of federal awards amount of \$6,192,849. The amounts of expenditures within the funds are reflected within the financial statements as follows:

General Fund	
Public safety	\$ 54,765
Special Revenue Funds	
<u>Airport Fund</u>	
Public works	23,772
Capital outlay	212,885
<u>RSVP Fund</u>	
Health and welfare	46,134
<u>WIPP Acceleration Impact Fund</u>	
Health and welfare	450,000
Economic development	69,829
Capital outlay	3,258,202
Capital Project Funds	
<u>Park Improvement Fund</u>	
Capital outlay	152,806
<u>Federal Projects Fund</u>	
Capital outlay	2,010,406
Proprietary Funds	
<u>Municipal Transit Fund</u>	
Personnel services	265,509
General operating	122,313
	<u>\$ 6,192,849</u>

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the City of Carlsbad, New Mexico as of and for the year ended June 30, 2011, and have issued our report thereon dated December 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness in internal control over financial reporting as item 2008-06.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance, or other matters that is required to be reported under *Government Auditing Standards* and that is described in the accompanying schedule of findings and questioned costs as items 2008-06 and 2011-01.

We noted a certain other matter that is required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as item 2011-02.

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

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

Fierro + Fierro, P.A.

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

December 30, 2011

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www.fierrocpa.com

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 OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Carlsbad's major federal programs for the year ended June 30, 2011. 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, 2011.

Internal Control over Compliance

The management of the City of Carlsbad is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Carlsbad's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Carlsbad's internal control over compliance.

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

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

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

Fierro + Fierro, P.A.

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

December 30, 2011

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? Yes X No
- Significant deficiency (ies) identified? Yes X None reported

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

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

Identification of major programs:

CFDA No.	Program
20.507	Federal Transit-Formula Grants
66.458	Clean Water State Revolving Funds
81.502	Water & Energy Appropriation Act

- 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, 2011

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2008-06 – Material Weakness – Submission of Audit Report

Statement of Condition – The audit report for the fiscal year ended June 30, 2011, was due to the New Mexico State Auditor’s office by December 1, 2011. The audit report was delivered on March 2, 2012 to the New Mexico State Auditor’s office.

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

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

Cause – Throughout the fiscal year, the City maintains its accounting records on the cash basis of accounting. After year-end the cash basis records are converted to meet the various financial reporting methods, and estimates, such as depreciation are calculated, as required by generally accepted accounting principles. All such conversions and accounting calculations are performed by the City Treasurer and the accounting department. Given their normal accounting duties, the current staffing of the accounting department the City has been unable to complete the conversions within ninety days which would provide sufficient time to allow the auditors to complete their testing and preparation of the audit report by December 1st.

Recommendation – We commend the dedication and the effort of the City’s finance department in preparing the financial information necessary for the preparation of the financial statements included within the audit report. We recommend the City explore avenues that would assist in completing the information within ninety days.

Views of Responsible Officials and Planned Corrective Actions – The City continues to focus on preparing the financial statements internally, making all adjustments necessary to convert budgetary basis financial statements to accrual basis financial statements, thus preventing the return of the SAS 115 finding, Preparation of the Financial Statements and Disclosures. The City achieved the ability to prepare summarized trial balances. This enabled the City to present the combining and individual fund trial balances, the governmental and proprietary funds trial balances, and the government-wide trial balances. City staff believed it was more important to focus on accurate and complete financial statement preparation, instead of the timely submission of the audit report. The City will be investing in report writing software to allow for more timely compilation of the financial statements.

Item 2011-01 – Compliance – State Constitution and Lodgers’ Tax Expenditures

Statement of Condition – During our review of the City’s board minutes, we discovered the City Council approved a waiver of rental fees of \$500 from the Heights Lions Club for a carnival located on city property.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2011-01 – Compliance – State Constitution and Lodgers’ Tax Expenditures (continued)

Statement of Condition (continued) – Furthermore, we discovered the City approved expenditures of \$12,000 for the Masonic Grand Lodge of New Mexico state convention. The expenditure was provided to offset the costs of their annual state convention (meals, gratuity, awards, coffee mugs, rental fees, etc.).

The City improperly classified the expenditures as lodgers’ tax expenditures, when in fact, the expenditures in question, did not meet the requirements of the Lodgers’ Tax Act and, thus, are considered a violation of the New Mexico Constitution since the non-profit organization did not perform any services or provide any goods to the City.

Criteria – New Mexico Constitution Article IX, Section 14 states, *“neither the state, nor any county, school district, or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit, or make any donation to or in aid of any person, association or public or private corporation. A donation within the meaning of this provision is a “gift”, an allocation or appropriation of something of value, without consideration.”* This section of the constitution is often referred to as the anti-donation clause.

New Mexico State Statute Section 3-8-21D states, *“Subject to the limitations contained in Section 3-38-15 NMSA 1978, a municipality or county imposing an occupancy tax may use the proceeds from the tax to defray costs of advertising, publicizing and promoting tourist-related attractions, facilities and events of the municipality or council and tourist facilities or attractions in the area.”*

The City has created a Lodgers’ Tax Board which oversees the expenditures of the lodgers’ tax revenues. The Board reviews all requests received from organizations for reimbursement for advertising, publicizing and promoting their event. The City provides guidance on what expenditures are allowed or disallowed as per the Lodgers’ Tax Act.

Effect – Non-compliance with the State constitution and the State statutes could subject the council and staff to punishment defined by state statutes.

Cause – The City Council failed to take into consideration the limitation provided by the anti-donation section of the State constitution. The minutes of the council fail to reflect whether the City staff was consulted regarding the legality of the waiver of the rental fee.

In regards to the reimbursement to the Masonic Lodge there appears to be an error in approving the expenditures. The detailed invoice clearly indicates the nature of the reimbursement. Such reimbursements would not qualify as expenditures under the lodgers’ tax provision. The error seems to have been made by the lodgers’ tax advisory board, as well as City staff.

Recommendation – In regards to the anti-donation, we recommend procedures be established by the staff to alert the City council that approval of such requests do not comply with the anti-donation section of the State constitution.

**STATE OF NEW MEXICO
CITY OF CARLSBAD**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2011-01 – Compliance – State Constitution and Lodgers’ Tax Expenditures (continued)

Recommendation (continued) – In regards to the reimbursement of the Masonic Lodge state convention expenses, we recommend the staff review the provision of the Lodgers’ Tax Act and ensure that the lodgers’ tax advisory board has a clear understanding as to what type of expenses are allowed under State statutes.

Views of Responsible Officials and Planned Corrective Actions – The City Attorney attends each council meeting and routinely alerts the City council when actions requested or recommended will violate any section of the State constitution. City staff is reviewing the carnival permit process in order to present an alternative to waiving the fee that would not violate the anti-donation section of the State constitution.

In March 2009, the Lodgers’ Tax Board approved the use of a Lodgers’ Tax Grant Proposal form, which required the breakdown of all eligible expenses. In April 2009, the Masonic Lodge request was not prepared on the new form and indicated the total budget of \$52,000.00 was comprised solely of expenses that were eligible for reimbursement, thus the amount requested of \$12,000.00 would also have been eligible. The Lodgers’ Tax Board nor City Staff realized the inaccuracy of this statement when approval was granted. However, when the invoice for reimbursement was submitted, all costs not eligible should have been denied.

Previously, only the City administrator was required to approve payment for Lodgers’ Tax reimbursement requests. Both the City administrator and the City treasurer are now approving payment for reimbursement invoices in order to reduce the possibility for ineligible expenses not being correctly identified and denied.

Item 2011-02 – Other – Agency Credit Cards

Statement of Condition – During our testing of two months of fifty-six credit card transactions that totaled \$135,577, we noted nineteen instances totaling \$1,413 that did not have receipts or a lost receipt form for the purchase of fuel.

Criteria – The City has policies and procedures concerning usage of the City’s credit cards for fuel purchases. All receipts are required to be turned in or a lost receipt form must be filled out. City staff from each department is provided a copy of the monthly credit card statement to reconcile the receipts in their possession to the statement. Once completed, the statement along with all receipts, is given to the purchasing department. The purchasing department is required to double check and reconciles the work of the department. If the purchasing department determines receipts are missing, they are required to contact the department to either locate the receipt or complete a lost receipt form. Once the reconciliation is complete all receipts are copied and then scanned to be imaged into the City’s imaging software.

Effect – By not having an accurate and complete reconciliation of credit card transactions, fuel could be purchased for vehicles that don’t belong to the City, without any knowledge of City staff.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2011-02 – Other – Agency Credit Cards (continued)

Cause – There was a lack of oversight by the department staff and the purchasing department to ensure all fuel receipts was accounted for on a monthly basis.

Recommendation – We recommend City staff review their policies and procedures concerning credit card transactions. Further, we recommend the City working with their credit card vendor to provide statements electronically to allow additional time to complete the reconciliation prior to the due date. Finally, we recommend all employees are reminded of the policies and procedures concerning credit card transactions.

Views of Responsible Officials and Planned Corrective Actions – It was discovered that in the image capture process, several receipt images were not captured. This should have been identified before payment was made. Purchasing has reviewed the fuel purchases process, and is now requiring departments to turn in fuel receipts weekly instead of monthly to reduce the occurrence of lost receipts and allow more time for reconciliation. In addition, further steps will be taken to ensure that all receipt images were captured during the scan process. Original fuel receipts were destroyed after payment was processed, but will no longer be destroyed until after the audit process to ensure the availability of paper documentation should questions arise.

**SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS -
FEDERAL TRANSIT – FORMULA GRANTS CFDA NO. 20.507,
CLEAN WATER STATE REVOLVING FUNDS CFDA NO. 66.458
AND WATER AND ENERGY APPROPRIATION ACT CFDA NO. 81.502**

None.

SECTION IV – PRIOR YEARS' AUDIT FINDINGS

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 fully reconciled. During the fiscal year, the City completed the reconciliation of all customer utility deposit amounts. 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 New Mexico State Auditor's office. During the fiscal year, the audit report was not submitted timely to the New Mexico 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, 2011**

**CITY OF CARLSBAD
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2011, was discussed during the exit conference held on February 28, 2012. Present for the City were Wesley A. Carter, mayor pro-tem; Janell E. Whitlock, councilor; John Tully, interim city administrator and Monica D. Harris, director of finance/city treasurer. Present for the auditing firm was Ed Fierro, CPA and Dominic Fierro, Manager.

FINANCIAL STATEMENT PREPARATION

The City treasurer and the accounting staff prepared the financial statements of the municipality for the fiscal year ended June 30, 2011. The auditing firm assisted in the preparation of the footnotes to the statements, along with preparing the document that contains all the financial statements, notes to the financial statements and other supplemental financial information.