

**STATE OF NEW MEXICO  
CITY OF CARLSBAD**

Basic Financial Statements and  
Required Supplementary Information  
and Supplementary Information  
For the Year Ended June 30, 2015  
and Independent Auditor's Report

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CITY OF CARLSBAD  
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**STATE OF NEW MEXICO  
CITY OF CARLSBAD  
DIRECTORY OF OFFICIALS  
JUNE 30, 2015**

**ELECTED OFFICIALS**

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

**DEPARTMENT HEADS**

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



## **Strickler & Prieto, LLP**

201 E. Main, Suite 500  
El Paso, Texas 79901  
Tel. (915) 532-2901  
Fax (915) 532-0807  
www.cpa-sp.com

### **INDEPENDENT AUDITOR'S REPORT**

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

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and the major special revenue fund of the City of Carlsbad, New Mexico (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise, internal service funds, agency funds, and the budgetary comparisons for the major capital project fund, enterprise funds, and all nonmajor funds and internal service funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise, internal service funds and agency funds of the City as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project fund, enterprise funds, all nonmajor funds, and internal service funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

In the year ended June 30, 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which modified the presentation of the financial statements by establishing standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pension benefits provided through defined benefit pension plans. In addition, Statement 68 requires disclosure of information related to pension benefits. As discussed in Note 10 to the basic financial statements, the adoption of GASB 68 and 71 resulted in the restatement of beginning net position. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the schedule of the City's proportionate share of the net pension liability and the schedule of the City's contributions on pages 51 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### *Other Information*

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

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

The Schedule of Vendor Information has not been subjected to the audit procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Strickler & Pinto, LLP*

El Paso, Texas  
February 5, 2016



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 55,039,333	\$ 27,702,235	\$ 82,741,568
Receivables, net	10,824,105	4,223,999	15,048,104
Inventory	-	636,563	636,563
Total current assets	<u>65,863,438</u>	<u>32,562,797</u>	<u>98,426,235</u>
Noncurrent assets:			
Restricted cash	950,852	9,511,391	10,462,243
Restricted investments	29	5,862,666	5,862,695
Prepaid bond insurance premiums	2,203	69,044	71,247
Capital assets, net	<u>100,458,799</u>	<u>95,633,121</u>	<u>196,091,920</u>
Total noncurrent assets	<u>101,411,883</u>	<u>111,076,222</u>	<u>212,488,105</u>
Deferred outflows of resources:			
Deferred outflows related to advance refunding of debt	-	127,725	127,725
Deferred outflows related to pensions	<u>2,868,085</u>	<u>413,501</u>	<u>3,281,586</u>
Total assets and deferred outflows of resources	<u>\$ 170,143,406</u>	<u>\$ 144,180,245</u>	<u>\$ 314,323,651</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 3,576,049	\$ 2,392,269	\$ 5,968,318
Accrued salaries	677,996	161,806	839,802
Accrued liabilities	53,744	67,971	121,715
Accrued interest payable	31,614	1,152,642	1,184,256
Deposits payable	750	1,047,169	1,047,919
Current portion of bonds payable	265,701	902,017	1,167,718
Current portion of notes payable	73,093	677,722	750,815
Current portion of compensated absences	<u>440,322</u>	<u>104,084</u>	<u>544,406</u>
Total current liabilities	<u>5,119,269</u>	<u>6,505,680</u>	<u>11,624,949</u>
Noncurrent liabilities:			
Bonds payable	5,906,745	15,382,421	21,289,166
Notes payable	321,097	30,880,250	31,201,347
Compensated absences	1,169,581	221,381	1,390,962
Landfill closure and post-closure	-	419,340	419,340
Net pension liability	<u>26,855,905</u>	<u>3,841,958</u>	<u>30,697,863</u>
Total noncurrent liabilities	<u>34,253,328</u>	<u>50,745,350</u>	<u>84,998,678</u>
Total liabilities	<u>39,372,597</u>	<u>57,251,030</u>	<u>96,623,627</u>
Deferred inflows of resources:			
Deferred revenues	450	-	450
Deferred inflow relating to pension	<u>7,868,006</u>	<u>1,505,680</u>	<u>9,373,686</u>
<b>NET POSITION</b>			
Net investment in capital assets	93,892,163	47,790,711	141,682,874
Restricted for:			
Debt service	301,741	6,017,941	6,319,682
Public works	950,852	7,731,309	8,682,161
Customer deposits	-	1,047,169	1,047,169
Unrestricted	<u>27,757,597</u>	<u>22,836,405</u>	<u>50,594,002</u>
Total net position	<u>122,902,353</u>	<u>85,423,535</u>	<u>208,325,888</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 170,143,406</u>	<u>\$ 144,180,245</u>	<u>\$ 314,323,651</u>

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

**STATE OF NEW MEXICO  
CITY OF CARLSBAD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 8,411,897	\$ 1,231,671	\$ -	\$ 203,479	\$ (6,976,747)	\$ -	\$ (6,976,747)
Public safety	18,577,415	2,099,062	1,157,267	-	(15,321,086)	-	(15,321,086)
Public works	7,130,167	39	16,721	250,808	(6,862,599)	-	(6,862,599)
Culture and recreation	7,801,900	631,007	83,164	-	(7,087,729)	-	(7,087,729)
Health and welfare	344,345	-	-	-	(344,345)	-	(344,345)
Economic development	58,364	-	-	71,628	13,264	-	13,264
Interest on long-term debt	302,240	-	-	-	(302,240)	-	(302,240)
Total governmental activities	<u>42,626,328</u>	<u>3,961,779</u>	<u>1,257,152</u>	<u>525,915</u>	<u>(36,881,482)</u>	<u>-</u>	<u>(36,881,482)</u>
Business - type activities:							
Water	6,411,095	12,806,737	-	3,771,023	-	10,166,665	10,166,665
Solid waste	3,734,230	5,021,314	149,241	-	-	1,436,325	1,436,325
Wastewater	2,857,998	4,044,695	-	-	-	1,186,697	1,186,697
Museum	6,692	9,383	-	-	-	2,691	2,691
Municipal transit	1,099,261	86,851	325,074	-	-	(687,336)	(687,336)
Performing arts center	221,459	27,030	-	-	-	(194,429)	(194,429)
Cemetery	704,976	207,862	-	-	-	(497,114)	(497,114)
Interest on long-term debt	1,273,156	-	-	-	-	(1,273,156)	(1,273,156)
Total business - type activities	<u>16,308,867</u>	<u>22,203,872</u>	<u>474,315</u>	<u>3,771,023</u>	<u>-</u>	<u>10,140,343</u>	<u>10,140,343</u>
Total primary government	<u>\$ 58,935,195</u>	<u>\$ 26,165,651</u>	<u>\$ 1,731,467</u>	<u>\$ 4,296,938</u>	<u>(36,881,482)</u>	<u>10,140,343</u>	<u>(26,741,139)</u>
<b>General Revenues:</b>							
					44,956,136	857,600	45,813,736
					2,656,587	-	2,656,587
					2,255,943	-	2,255,943
					795,689	-	795,689
					635,244	-	635,244
					25,837	90,139	115,976
					660,205	459,166	1,119,371
					564,651	24,298	588,949
					40,319	31,552	71,871
					(61,670)	65	(61,605)
					2,985,456	(2,985,456)	-
					<u>55,514,397</u>	<u>(1,522,636)</u>	<u>53,991,761</u>
					18,632,915	8,617,707	27,250,622
					136,758,569	82,062,192	218,820,761
					(32,489,131)	(5,256,364)	(37,745,495)
					104,269,438	76,805,828	181,075,266
					<u>\$ 122,902,353</u>	<u>\$ 85,423,535</u>	<u>\$ 208,325,888</u>

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

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	<u>General Fund</u>	<u>WIPP Acceleration Impact Fund</u>	<u>GRT Capital Outlay Fund</u>	<u>Street System Improvement Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 22,781,656	\$ 96,413	\$ 13,047,643	\$ 4,738,048	\$ 8,943,512	\$ 49,607,272
Receivables, net	7,476,007	810,000	520,925	148,967	1,593,144	10,549,043
Restricted:						
Investments	-	-	-	-	29	29
Total assets	<u>\$ 30,257,663</u>	<u>\$ 906,413</u>	<u>\$ 13,568,568</u>	<u>\$ 4,887,015</u>	<u>\$ 10,536,685</u>	<u>\$ 60,156,344</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,729,757	\$ 62,888	\$ 106,494	\$ 390,875	\$ 916,352	\$ 3,206,366
Accrued salaries	666,187	-	-	-	11,809	677,996
Accrued sales taxes	1,785	-	-	-	1,266	3,051
Accrued payroll taxes payable	47,823	-	-	-	-	47,823
Accrued liabilities	160	-	-	-	-	160
Deposits payable	750	-	-	-	-	750
Total liabilities	2,446,462	62,888	106,494	390,875	929,427	3,936,146
Deferred inflows of resources:						
Deferred revenues	141,181	-	-	-	6,075	147,256
<b>FUND BALANCES</b>						
Restricted for:						
Debt service	-	-	-	-	301,741	301,741
State mandated per statutes	-	-	-	-	632,022	632,022
Committed for:						
State budget reserve	4,238,074	-	-	-	-	4,238,074
City budget reserve	4,238,074	-	-	-	-	4,238,074
Subsequent years' expenditures	11,660,200	843,525	9,245,051	4,496,140	6,847,608	33,092,524
Assigned	-	-	4,217,023	-	1,819,812	6,036,835
Unassigned	7,533,672	-	-	-	-	7,533,672
Total fund balances	<u>27,670,020</u>	<u>843,525</u>	<u>13,462,074</u>	<u>4,496,140</u>	<u>9,601,183</u>	<u>56,072,942</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 30,257,663</u>	<u>\$ 906,413</u>	<u>\$ 13,568,568</u>	<u>\$ 4,887,015</u>	<u>\$ 10,536,685</u>	<u>\$ 60,156,344</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 POSITION  
JUNE 30, 2015

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

Fund balances - total governmental funds	\$ 56,072,942
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	100,458,799
Insurance premiums paid during the issuance of bonds are not expensed in the current period. These costs are capitalized, in the statement of net position and are not reported in the governmental funds.	2,203
Certain accrued interest expenses are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(31,614)
Long-term obligations applicable to the City's governmental activities are not due and payable in the current period, and, therefore, are not reported in the governmental funds.	(8,176,539)
Long-term pension obligations applicable to the City's governmental activities are not due and payable in the current period, and, therefore, are not reported in the governmental funds.	(31,855,826)
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
County appropriations	146,806
Residual balances of the internal service funds are included within the governmental activities and are not reported in the governmental funds.	<u>6,285,582</u>
Net position - statement of net position	<u><u>\$ 122,902,353</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, 2015

	<u>General Fund</u>	<u>WIPP Acceleration Impact Fund</u>	<u>GRT Capital Outlay Fund</u>	<u>Street System Improvement Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>						
Taxes:						
Sales taxes	\$ 39,999,660	\$ -	\$ 3,241,409	\$ -	\$ 1,715,067	\$ 44,956,136
Property	2,516,126	-	-	-	-	2,516,126
Franchise	795,689	-	-	-	-	795,689
Lodger's	-	-	-	-	2,255,943	2,255,943
Public service	-	-	-	635,244	-	635,244
Intergovernmental:						
Federal	45,330	-	-	-	116,191	161,521
State	1,180,703	-	-	83,959	1,691,225	2,955,887
Charges for services	1,884,977	-	-	-	290,323	2,175,300
Licenses, fees and permits	415,008	-	-	90,822	-	505,830
Fines and forfeitures	410,636	-	-	-	-	410,636
Investment income	9,475	6,412	1,320	2,536	1,871	21,614
Miscellaneous	24,698	(62,888)	-	86	1,207,334	1,169,230
Total revenues	47,282,302	(56,476)	3,242,729	812,647	7,277,954	58,559,156
<b>EXPENDITURES:</b>						
Current:						
General government	7,967,934	-	-	-	-	7,967,934
Public safety	17,754,539	-	-	-	353,055	18,107,594
Public works	5,415,623	-	-	-	175,881	5,591,504
Culture and recreation	4,767,906	-	-	-	1,895,719	6,663,625
Health and welfare	256,419	-	-	-	54,191	310,610
Economic development	-	-	-	-	28,126	28,126
Capital outlay	3,920,170	-	420,039	4,489,585	6,250,237	15,080,031
Debt service:						
Principal	-	-	-	-	326,721	326,721
Interest and other charges	-	-	-	-	300,133	300,133
Total expenditures	40,082,591	-	420,039	4,489,585	9,384,063	54,376,278
Excess (deficiency) of revenues over expenditures	7,199,711	(56,476)	2,822,690	(3,676,938)	(2,106,109)	4,182,878
Other financing sources (uses):						
Transfers in	4,683,694	-	-	5,367,526	3,419,642	13,470,862
Transfers (out)	(10,796,220)	-	(623,458)	-	(731,808)	(12,151,486)
Proceeds from sale of assets	52,196	-	-	-	-	52,196
Bond discount	-	-	-	-	(2,165)	(2,165)
Total other financing sources (uses)	(6,060,330)	-	(623,458)	5,367,526	2,685,669	1,369,407
Net change in fund balances	1,139,381	(56,476)	2,199,232	1,690,588	579,560	5,552,285
Fund balances - beginning of year,	26,530,639	900,001	11,262,842	2,805,552	9,021,623	50,520,657
Fund balances - end of year	<u>\$ 27,670,020</u>	<u>\$ 843,525</u>	<u>\$ 13,462,074</u>	<u>\$ 4,496,140</u>	<u>\$ 9,601,183</u>	<u>\$ 56,072,942</u>

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, 2015**

Net change in fund balances total governmental funds	\$ 5,552,285
Net change in net position of internal service funds	2,497,673
Governmental funds report capital outlays as expenditure in the amount of \$15,123,233. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the amount of \$4,924,280; therefore, the net adjustment is \$10,198,953.	10,198,953
Within the statement of activities, the basis of capital assets disposed of are netted with the gross proceeds to produce a gain or loss. The disposals of capital assets do not use current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(11,878)
Some of the City's property taxes, along with other revenues, will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as deferred revenue in the funds.	(328,704)
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.	5,024
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.	325,559
During the current year, the City recorded amortization expense in respect to the bond insurance premium. The expense is reflected within the statement of activities and the expense does not use a current financial resource, and is not recorded within the governmental funds.	(3,556)
The increase in the compensated absences liability is reflected as an expense within the statement of activities and the expense does not require the use of current financial resources and is not recorded within the governmental fund statements.	(235,746)
The decrease in the pension liability is reflected as an increase to income in the statement of activities and the increase does not increase current financial resources and is not recorded within the governmental fund statements.	633,305
Net change in net position - government-wide financial statements	<u>\$ 18,632,915</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 FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales taxes	\$ 34,952,958	\$ 34,952,958	\$ 39,975,841	\$ 5,022,883
Property taxes	2,301,018	2,301,018	2,521,351	220,333
Franchise taxes	760,100	760,100	812,959	52,859
Intergovernmental				
Federal	-	-	25,492	25,492
State	183,200	334,480	39,681	(294,799)
Local	1,109,523	1,627,498	1,775,509	148,011
Charges for services	1,367,086	1,367,086	1,215,809	(151,277)
Licenses and permits	286,610	286,610	404,427	117,817
Fines and forfeitures	359,600	359,600	416,726	57,126
Investment Income	5,500	5,500	9,470	3,970
Miscellaneous	3,000	7,013	74,553	67,540
<b>Total revenues</b>	<b>41,328,595</b>	<b>42,001,863</b>	<b>47,271,818</b>	<b>5,269,955</b>
Expenditures:				
Current:				
General government	9,196,214	9,576,540	7,932,751	1,643,789
Public safety	19,070,198	19,303,793	17,747,209	1,556,584
Public works	6,334,194	6,469,281	5,416,390	1,052,891
Culture and recreation	5,369,081	5,438,631	4,605,200	833,431
Health and welfare	257,255	260,529	251,538	8,991
Capital outlay	6,058,624	7,870,909	3,039,043	4,831,866
<b>Total expenditures</b>	<b>46,285,566</b>	<b>48,919,683</b>	<b>38,992,131</b>	<b>9,927,552</b>
Excess (deficiency) of revenues over expenditures	(4,956,971)	(6,917,820)	8,279,687	15,197,507
Other financing sources (uses):				
Transfers in	5,397,587	5,853,470	4,671,516	(1,181,954)
Transfers (out)	(8,660,796)	(10,812,379)	(10,796,220)	16,159
<b>Total other financing sources (uses)</b>	<b>(3,263,209)</b>	<b>(4,958,909)</b>	<b>(6,124,704)</b>	<b>(1,165,795)</b>
<b>Special item:</b>				
Proceeds from sale of assets	1,000	1,000	11,218	10,218
<b>Net change in fund balance</b>	<b>(8,219,180)</b>	<b>(11,875,729)</b>	<b>2,166,201</b>	<b>14,041,930</b>
Fund balance - beginning of year	13,179,474	13,179,474	13,179,474	-
<b>Fund balance - end of year</b>	<b>\$ 4,960,294</b>	<b>\$ 1,303,745</b>	<b>15,345,675</b>	<b>\$ 14,041,930</b>
Reconciliation on budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 2,166,201	
Net revenue accruals			(235,896)	
Net expenditure accruals			(790,924)	
<b>Net change in fund balance GAAP basis</b>			<b>\$ 1,139,381</b>	

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
WIPP ACCELERATION IMPACT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Investment income	\$ -	\$ -	\$ 6,413	\$ 6,413
Miscellaneous	-	-	90,000	90,000
Total revenues	-	-	96,413	96,413
Non-operating revenues (expenses):				
Economic development	-	288,748	288,747	1
Capital outlay	1,910,102	1,910,102	1,910,102	-
Total expenditures	1,910,102	2,198,850	2,198,849	1
Excess (deficiency) of revenues over expenditures	(1,910,102)	(2,198,850)	(2,102,436)	96,414
Other financing sources:				
Transfers in	120,000	408,748	408,747	(1)
Transfer (out)	-	-	-	-
Total other financing sources (uses)	120,000	408,748	408,747	(1)
Net changes in fund balance	(1,790,102)	(1,790,102)	(1,693,689)	96,413
Fund balance - beginning of year	1,790,102	1,790,102	1,790,102	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,413</u>	<u>\$ 96,413</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (1,693,689)	
Net revenue accruals			(90,000)	
Due from other funds			(408,748)	
Net expenditure accruals			<u>2,135,961</u>	
Net changes in fund balance GAAP basis			<u>\$ (56,476)</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 POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	<b>Business - Type Activities - Enterprises Funds</b>				<b>Governmental Activities Internal Service Funds</b>
	<b>Solid Waste Fund</b>	<b>Joint Water and Sewer Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 5,682,854	\$ 21,038,803	\$ 980,578	\$ 27,702,235	\$ 5,432,062
Receivables, net	676,111	3,467,438	80,450	4,223,999	275,062
Inventory	-	636,563	-	636,563	-
<b>Total current assets</b>	<b>6,358,965</b>	<b>25,142,804</b>	<b>1,061,028</b>	<b>32,562,797</b>	<b>5,707,124</b>
<b>Noncurrent assets:</b>					
Restricted cash	-	9,511,391	-	9,511,391	950,852
Restricted investments	-	5,862,666	-	5,862,666	-
Prepaid bond insurance premiums	-	69,044	-	69,044	-
Capital assets, net	1,775,054	90,161,309	3,696,758	95,633,121	-
<b>Total noncurrent assets</b>	<b>1,775,054</b>	<b>105,604,410</b>	<b>3,696,758</b>	<b>111,076,222</b>	<b>950,852</b>
<b>Deferred outflows of resources:</b>					
Deferred advance refunding of debt	-	127,725	-	127,725	-
Deferred charges relating to pension	93,709	261,781	58,011	413,501	-
<b>Total assets and deferred outflows of resources</b>	<b>\$ 8,227,728</b>	<b>\$ 131,136,720</b>	<b>\$ 4,815,797</b>	<b>\$ 144,180,245</b>	<b>\$ 6,657,976</b>
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 318,803	\$ 1,975,002	\$ 98,464	\$ 2,392,269	\$ 372,394
Accrued salaries	34,495	105,231	22,080	161,806	-
Accrued liabilities	-	67,961	10	67,971	-
Accrued interest payable	2,787	1,149,855	-	1,152,642	-
Customer deposits	-	1,047,169	-	1,047,169	-
Current portion of bonds payable	-	902,017	-	902,017	-
Current portion of notes payable	-	677,722	-	677,722	-
Current portion of compensated absences	18,590	66,753	18,741	104,084	-
<b>Total current liabilities</b>	<b>374,675</b>	<b>5,991,710</b>	<b>139,295</b>	<b>6,505,680</b>	<b>372,394</b>
<b>Noncurrent liabilities:</b>					
Bonds payable	-	15,382,421	-	15,382,421	-
Notes payable	-	30,880,250	-	30,880,250	-
Compensated absences	41,167	149,935	30,279	221,381	-
Landfill closure and post-closure	419,340	-	-	419,340	-
Net pension liability	911,717	2,393,094	537,147	3,841,958	-
<b>Total noncurrent liabilities</b>	<b>1,372,224</b>	<b>48,805,700</b>	<b>567,426</b>	<b>50,745,350</b>	<b>-</b>
<b>Total liabilities</b>	<b>1,746,899</b>	<b>54,797,410</b>	<b>706,721</b>	<b>57,251,030</b>	<b>372,394</b>
<b>Deferred inflows of resources:</b>					
Deferred inflows relating to pension	357,306	937,864	210,510	1,505,680	-
<b>NET POSITION</b>					
Net investment in capital assets	1,775,054	42,318,899	3,696,758	47,790,711	-
<b>Restricted:</b>					
Debt service	-	6,017,941	-	6,017,941	-
Public works	-	7,731,309	-	7,731,309	-
Customer deposits	-	1,047,169	-	1,047,169	-
Unrestricted	4,348,469	18,286,128	201,808	22,836,405	6,285,582
<b>Total net position</b>	<b>6,123,523</b>	<b>75,401,446</b>	<b>3,898,566</b>	<b>85,423,535</b>	<b>6,285,582</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 8,227,728</b>	<b>\$ 131,136,720</b>	<b>\$ 4,815,797</b>	<b>\$ 144,180,245</b>	<b>\$ 6,657,976</b>

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY  
FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	<b>Business - Type Activities - Enterprise Funds</b>				<b>Governmental</b>
	<b>Solid Waste Fund</b>	<b>Joint Water and Sewer Fund</b>	<b>Other Enterprises Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
Operating revenues:					
Charges for services	\$ 5,021,314	\$ 20,622,451	\$ 306,128	\$ 25,949,893	\$ 5,604,650
Operating expenses:					
Personnel services	1,617,909	4,276,548	977,080	6,871,537	-
Utilities	-	726,430	111,756	838,186	-
Contractual services	143,620	226,183	466,106	835,909	7,541
Repairs and maintenance	594,115	760,937	57,944	1,412,996	-
Insurance claims and expenses	-	-	-	-	5,734,155
Other supplies and expenses	990,944	833,472	154,172	1,978,588	8,642
Depreciation and amortization	387,575	2,446,126	265,332	3,099,033	-
Total operating expenses	<u>3,734,163</u>	<u>9,269,696</u>	<u>2,032,390</u>	<u>15,036,249</u>	<u>5,750,338</u>
Operating income (loss)	1,287,151	11,352,755	(1,726,262)	10,913,644	(145,688)
Non-operating revenues (expenses):					
Sales taxes	857,600	-	-	857,600	-
Intergovernmental					
Federal	-	-	325,074	325,074	861,495
State	111,000	-	25,000	136,000	141,732
Investment income	7,140	82,999	-	90,139	4,154
Gain on sale of assets	-	31,516	36	31,552	-
Miscellaneous	38,242	466,771	16,693	521,706	-
Interest expense	(2,787)	(1,269,765)	-	(1,272,552)	-
Total non-operating revenues (expenses)	<u>1,011,195</u>	<u>(688,479)</u>	<u>366,803</u>	<u>689,519</u>	<u>1,007,381</u>
Income (loss) before capital contributions and transfers	2,298,346	10,664,276	(1,359,459)	11,603,163	861,693
Capital contributions and transfers:					
Transfers in	37,193	431,006	1,330,763	1,798,962	3,026,305
Transfers (out)	(1,897,378)	(2,867,040)	(20,000)	(4,784,418)	(1,390,325)
Total capital contributions and transfers	<u>(1,860,185)</u>	<u>(2,436,034)</u>	<u>1,310,763</u>	<u>(2,985,456)</u>	<u>1,635,980</u>
Change in net position	438,161	8,228,242	(48,696)	8,617,707	2,497,673
Net position - beginning of year	6,916,348	70,473,335	4,672,509	82,062,192	3,787,909
Restatements	<u>(1,230,986)</u>	<u>(3,300,131)</u>	<u>(725,247)</u>	<u>(5,256,364)</u>	<u>-</u>
Net position - beginning of the year, restated	<u>5,685,362</u>	<u>67,173,204</u>	<u>3,947,262</u>	<u>76,805,828</u>	<u>3,787,909</u>
Net position - end of year	<u>\$ 6,123,523</u>	<u>\$ 75,401,446</u>	<u>\$ 3,898,566</u>	<u>\$ 85,423,535</u>	<u>\$ 6,285,582</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, 2015**

	<b>Business- Type Activities-Enterprise Funds</b>				<b>Governmental Activities Internal Service Funds</b>
	<b>Solid Waste Fund</b>	<b>Joint Water and Sewer Fund</b>	<b>Other Enterprise Fund</b>	<b>Total</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 4,902,815	\$ 20,068,501	\$ 283,117	\$ 25,254,433	\$ -
Internal activity- receipts from other funds	-	-	-	-	5,610,300
Cash payments to suppliers from goods and services	(1,963,678)	(1,749,093)	(801,883)	(4,514,654)	(6,286,613)
Cash payments to employees for services	(1,617,346)	(4,232,011)	(959,837)	(6,809,194)	-
Net cash provided by (used in) operating activities	1,321,791	14,087,397	(1,478,603)	13,930,585	(676,313)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>					
Cash received from sales taxes	857,600	-	-	857,600	-
Cash received from intergovernmental sources	111,000	-	321,879	432,879	1,003,227
Cash received from miscellaneous sources	38,242	466,771	11,068	516,081	-
Net change in customer deposits	-	107,230	-	107,230	-
Net transfers in (out)	(1,860,185)	(2,436,034)	1,310,763	(2,985,456)	1,635,980
Net cash provided by (used in) non-capital and related financing activities	(853,343)	(1,862,033)	1,643,710	(1,071,666)	2,639,207
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>					
Acquisition of capital assets	(284,223)	(24,961,146)	(422,170)	(25,667,539)	-
Proceed from the sale of assets	-	432,074	36	432,110	-
Long term debt proceeds	-	14,951,092	-	14,951,092	-
Principal payments on capital debt	-	(844,506)	-	(844,506)	-
Interest on capital debt	-	(931,152)	-	(931,152)	-
Net cash (used in) capital financing activities	(284,223)	(11,353,638)	(422,134)	(12,059,995)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income	7,140	82,999	-	90,139	4,154
Proceeds from the sale of investments	-	2,260,000	-	2,260,000	-
Purchase of investments	-	(1,852,648)	-	(1,852,648)	-
Net cash provided by investing activities	7,140	490,351	-	497,491	4,154
Net increase (decrease) in cash	191,365	1,362,077	(257,027)	1,296,415	1,967,048
Cash and cash equivalents, beginning of year	5,491,489	29,188,115	1,237,605	35,917,209	4,415,866
Cash and cash equivalents, end of year	<u>\$ 5,682,854</u>	<u>\$ 30,550,192</u>	<u>\$ 980,578</u>	<u>\$ 37,213,624</u>	<u>\$ 6,382,914</u>
Displayed as:					
Cash	\$ 5,682,854	\$ 21,038,803	\$ 980,578	\$ 27,702,235	\$ 5,432,062
Restricted cash	-	9,511,391	-	9,511,391	950,852
	<u>\$ 5,682,854</u>	<u>\$ 30,550,194</u>	<u>\$ 980,578</u>	<u>\$ 37,213,626</u>	<u>\$ 6,382,914</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 1,287,151	\$ 11,352,755	\$ (1,726,262)	\$ 10,913,644	\$ (145,688)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation	387,575	2,446,126	265,332	3,099,033	-
Provision for uncollectible accounts	10,953	(110,202)	(148)	(99,397)	-
Landfill closure and post closure liability	28,097	-	-	28,097	-
Change in assets, deferred outflows, liabilities, and deferred inflows :					
Accounts receivable	(73,780)	(214,072)	36,720	(251,132)	223,849
Inventory	-	(111,080)	-	(111,080)	-
Accounts payable	(263,096)	909,009	(11,906)	634,007	(465,726)
Deferred charges relating to pension	(93,709)	(261,781)	(58,011)	(413,501)	-
Accrued salaries	4,836	28,294	4,171	37,301	-
Accrued liabilities	2,787	1,280	-	4,067	-
Compensated absences	(4,273)	16,243	13,071	25,041	-
Due to other funds	-	-	-	-	(288,748)
Deferred inflows relating to pension	357,306	937,864	210,510	1,505,680	-
Net pension liability	(322,056)	(907,039)	(212,080)	(1,441,175)	-
Net cash provided by (used in) operating activities	<u>\$ 1,321,791</u>	<u>\$ 14,087,397</u>	<u>\$ (1,478,603)</u>	<u>\$ 13,930,585</u>	<u>\$ (676,313)</u>

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS  
JUNE 30, 2015

**Assets**

Cash \$ 23,191

**Liabilities**

Deposits held for others \$ 23,191

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  
FOR THE YEAR ENDED JUNE 30, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***A. Reporting Entity***

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

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

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

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

***B. Basis of Presentation***

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

**STATE OF NEW MEXICO**  
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Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from the business-type activities, which rely to a significant extent on fees and charges for support. The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized in accordance with the requirements of GASB 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 a specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise, public service taxes, interest income, etc.) The City does not allocate indirect costs. Depreciation 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, proprietary funds, and fiduciary 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.

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

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

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

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

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

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

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

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

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

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

**STATE OF NEW MEXICO**  
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NOTES TO THE FINANCIAL STATEMENTS  
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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.

Agency funds are used to account for monies held by the City in a custodial capacity. These funds do not report operations or have a measurement focus. The funds held by the City in a fiduciary capacity are related to the Municipal Court Trust Fund.

The City reports the following Major Governmental Funds:

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

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

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

The Street Systems Improvement Fund accounts for receipts and disbursements for city street improvements. Financing is provided from motor vehicle fees and state and county grants. The fund is authorized by city ordinance 389.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The 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 City reports the following major business-type funds:

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

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

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

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

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

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

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

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

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

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

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

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

***D. Budgets***

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**F. Other Matters**

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

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

***Subsequent Events***—Management has evaluated events through February 5, 2016, the date the financial statements were available to be issued.

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**2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS**

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

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

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

As of June 30, 2015, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
Cash on hand	\$ 3,097	\$ -	\$ 3,097
Carlsbad National Bank	7,628,849	2,317,041	9,945,890
Pioneer Savings Bank	2,790,977	-	2,790,977
Wells Fargo Bank	77,613,178	(11,047,310)	66,565,868
Western Commerce Bank	7,215,510	6,682,469	13,897,979
	<u>\$ 95,251,611</u>	<u>\$ (2,047,800)</u>	<u>\$ 93,203,811</u>
Total cash deposits			

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

Statement of net position:	
Cash	\$ 82,741,568
Restricted cash	<u>10,462,243</u>
Total cash reported on financial statements	<u>\$ 93,203,811</u>

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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.

	<u>Carlsbad National Bank</u>	<u>Pioneer Savings Bank</u>	<u>Wells Fargo Bank</u>	<u>Western Commerce Bank</u>
Total deposits in bank	\$ 7,652,789	\$ 2,790,977	\$ 77,613,178	\$ 7,215,510
Less FDIC coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>
Uninsured public funds	7,402,789	2,540,977	77,363,178	6,965,510
Pledged collateral held by pledging bank's trust, but not in the City's names	<u>6,215,586</u>	<u>1,310,227</u>	<u>46,129,164</u>	<u>5,950,365</u>
Uninsured and uncollateralized public funds	<u>\$ 1,187,203</u>	<u>\$ 1,230,750</u>	<u>\$ 31,234,014</u>	<u>\$ 1,015,145</u>
Total pledged collateral	\$ 6,215,586	\$ 1,310,227	\$ 46,129,164	\$ 5,950,365
50% pledged collateral requirement per state statute	<u>3,701,395</u>	<u>1,270,489</u>	<u>38,681,589</u>	<u>3,482,755</u>
Pledged collateral (under) over the requirements	<u>\$ 2,514,191</u>	<u>\$ 39,738</u>	<u>\$ 7,447,575</u>	<u>\$ 2,467,610</u>

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

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

***Custodial Credit Risk Deposits***—Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2015, \$94,272,454 of the City's bank balance of \$95,272,454 was exposed to custodial credit risk as follows:

	<u>Carlsbad National Bank</u>	<u>Pioneer Savings Bank</u>	<u>Wells Fargo Bank</u>	<u>Western Commerce Bank</u>	<u>Total</u>
Uninsured and collateral held by pledging bank's trust dept. or agent not in the City's name	<u>\$ 7,402,789</u>	<u>\$ 2,540,977</u>	<u>\$ 77,363,178</u>	<u>\$ 6,965,510</u>	<u>\$ 94,272,454</u>

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**3. RESTRICTED INVESTMENTS**

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

Statement of net position:	
Restricted investments	<u>\$ 5,862,695</u>

As of June 30, 2015, the restricted investments are composed of the following:

Investment - US Treasury Notes	\$ 5,862,666
NMFA - debt service	<u>29</u>
	<u>\$ 5,862,695</u>

The U.S. Treasury Notes all carry a Moody's rating of AAA and have a weighted average maturity of 1,107 days as of June 30, 2015.

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

***NMFA - Debt Service***—The City has \$29 invested within the NMFA cash account restricted for payment of debt at June 30, 2015.

***Other Investments***—As part of a city ordinance, the City has idle cash invested, in the amount of \$5,902,210 at Wells Fargo Bank, N.A., Roswell, New Mexico. The current fair value is \$5,862,666. The fund is composed of U.S. Treasury Notes. The fund is not subject to categorization.

During the fiscal year ended June 30, 2015, the City realized a net loss of \$25,031 from the sale of investments. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses that had been held more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net decrease in the fair value of investments during the current fiscal year was \$407,352. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized loss on investments held at year-end was \$39,544.

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**4. RECEIVABLES**

Receivables, net of allowance for doubtful accounts, at June 30, 2015, consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Account receivable:		
Charges for services	\$ 3,231,026	\$ 4,348,706
Allowance for doubtful accounts	(2,602,521)	(475,736)
Total	628,505	3,872,970
Taxes receivable:		
Gross Receipts taxes	7,193,217	137,344
Franchise taxes	113,884	-
Property taxes	58,902	-
Lodger's taxes	168,480	-
Public service taxes	66,599	-
Total	7,601,082	137,344
Intergovernmental receivables:		
Building improvement grants	787,009	-
Public safety grants	207,733	-
Infrastructure improvement grants	238,384	131,769
Health and welfare grants	186,990	-
Municipal transit grants	-	51,114
Legislative grants	-	25,000
Total	1,420,116	207,883
Interest receivable	1,379	1,466
Notes receivable:		
WIPP acceleration project	810,000	-
Other	363,023	4,336
Receivables, net	<u>\$ 10,824,105</u>	<u>\$ 4,223,999</u>

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 1<sup>st</sup>. Property tax rates for the year are set no later than September 1<sup>st</sup> 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 1<sup>st</sup>. The Eddy County Treasurer sends tax notices to property owners by November 1<sup>st</sup> of each year. Taxes are payable in equal semiannual installments by November 10<sup>th</sup> and April 10<sup>th</sup> 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 2014, was \$6.225 per \$1,000 for non-residential and \$5.442 for residential property.

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**6. BAD DEBT EXPENSE**

**Governmental Activities**—During the current fiscal year, the City recorded bad debt expense by reducing gross ambulance fees of \$712,917 by \$561,064. Ambulance fees are reflected as public safety charges for services in the government-wide statement of activities and charges for services within the general fund.

**Business-Type Activities**—During the current fiscal year, the City recorded bad debt expense of \$12,346 by reducing solid waste sales by \$10,953 and wastewater sales by \$1,483. Uncollectible water receivables totaling \$111,685 were written off during the year ended June 30, 2015.

**7. CAPITAL ASSETS**

Capital assets for the fiscal year ended June 30, 2015, are as follows:

	<u>Balance 6/30/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Net Transfers</u>	<u>Balance 6/30/2015</u>
<b>Governmental Activities:</b>					
Assets not being depreciated:					
Land	\$ 2,085,902	\$ -	\$ -	\$ -	\$ 2,085,902
Construction in progress	5,402,688	2,714,239	-	(4,449,080)	3,667,847
Total assets not being depreciated	7,488,590	2,714,239	-	(4,449,080)	5,753,749
Assets being depreciated:					
Buildings	55,658,885	4,860,893	(1,577)	2,650,769	63,168,970
Improvements	503,522	17,793	-	-	521,315
Infrastructure	71,197,730	5,030,979	-	1,798,311	78,027,020
Equipment	19,110,536	2,499,330	(1,138,747)	-	20,471,119
Total assets being depreciated	146,470,673	12,408,995	(1,140,324)	4,449,080	162,188,424
Less accumulated depreciation for:					
Buildings	(23,807,467)	(1,705,265)	1,577	-	(25,511,155)
Improvements	(98,963)	(23,799)	-	-	(122,762)
Infrastructure	(27,008,900)	(1,534,036)	-	-	(28,542,936)
Equipment	(12,772,210)	(1,661,180)	1,126,869	-	(13,306,521)
Total accumulated depreciation	(63,687,540)	(4,924,280)	1,128,446	-	(67,483,374)
Total assets being depreciated, net	82,783,133	7,484,715	(11,878)	4,449,080	94,705,050
Governmental capital assets, net	<u>\$ 90,271,723</u>	<u>\$ 10,198,954</u>	<u>\$ (11,878)</u>	<u>\$ -</u>	<u>\$100,458,799</u>

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

General government	\$ 858,861
Public safety	843,081
Public works	1,879,570
Culture and recreation	1,296,396
Health and welfare	46,372
	<u>\$ 4,924,280</u>



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	<u>Balance 6/30/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Net Transfers</u>	<u>Balance 6/30/2015</u>
<b>Business-type Activities:</b>					
Assets not being depreciated:					
Land	\$ 1,282,273	\$ -	\$ -	\$ -	\$ 1,282,273
Construction in progress	13,607,872	21,760,321	-	(2,333,280)	33,034,913
Total assets not being depreciated	14,890,145	21,760,321	-	(2,333,280)	34,317,186
Assets being depreciated:					
Buildings	4,263,529	280,815	-	22,389	4,566,733
Improvements	33,955,373	209,725	-	-	34,165,098
Utility system	49,155,380	2,746,206	(452,352)	2,310,891	53,760,125
Equipment	11,026,448	727,728	(67,359)	-	11,686,817
Total assets being depreciated	98,400,730	3,964,474	(519,711)	2,333,280	104,178,773
Less accumulated depreciation for:					
Buildings	(1,482,743)	(182,362)	-	-	(1,665,105)
Improvements	(10,049,408)	(339,200)	-	-	(10,388,608)
Utility system	(19,970,575)	(1,733,712)	-	-	(21,704,287)
Equipment	(8,328,438)	(843,759)	67,359	-	(9,104,838)
Total accumulated depreciation	(39,831,164)	(3,099,033)	67,359	-	(42,862,838)
Total assets being depreciated, net	58,569,566	865,441	(452,352)	2,333,280	61,315,935
Business-type capital assets, net	<u>\$ 73,459,711</u>	<u>\$ 22,625,762</u>	<u>\$ (452,352)</u>	<u>\$ -</u>	<u>\$ 95,633,121</u>

**8. ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2015, consisted of the following:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Payroll taxes payable	\$ 47,823	\$ 67,547
Sales taxes payable	2,974	-
Other	2,947	424
	<u>\$ 53,744</u>	<u>\$ 67,971</u>

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**9. LONG-TERM OBLIGATIONS**

Changes in governmental activities obligations during the year ended June 30, 2015, were as follows:

	<u>Balance</u> <u>06/30/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/15</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
<b>Governmental Activities</b>					
Notes payable	\$ 464,749	\$ -	\$ (70,559)	\$ 394,190	\$ 73,093
Bonds payable	6,425,281	2,165	(255,000)	6,172,446	265,701
Compensated absences	1,374,157	1,422,469	(1,186,723)	1,609,903	440,322
Net pension liability	34,670,188	-	(7,814,283)	26,855,905	-
	<u>\$42,934,375</u>	<u>\$ 1,424,634</u>	<u>\$ (9,326,565)</u>	<u>\$35,032,444</u>	<u>\$ 779,116</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, 2020, and accrues interest at rates between 1.290% and 3.850% per annum. The proceeds of the loan were used for the acquisition of a fire pumper and an aerial (ladder) platform truck. The payments of principal and interest are paid from receipts of the City's annual state fire allotment, which totaled \$369,924 for the year ended June 30, 2015. The annual requirements to amortize the loan outstanding as of June 30, 2015, including interest payments, are as follows:

<b>Year Ended</b> <b>June 30,</b>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 73,093	\$ 14,245	\$ 87,338
2017	75,792	11,735	87,527
2018	78,662	9,062	87,724
2019	81,706	6,221	87,927
2020	84,937	3,202	88,139
	<u>\$ 394,190</u>	<u>\$ 44,465</u>	<u>\$ 438,655</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, which totaled \$47.6 million for the year ended June 30, 2015. The bonds maturing on October 1, 2017 are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date. As and for a sinking fund for the redemption of the bonds maturing on October 1, 2017, the City shall cause to be deposited in the debt service fund a sum which is sufficient to redeem the bonds at the redemption date.

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The annual requirements to amortize the bonds outstanding as of June 30, 2015, including interest payments, are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Premium/ (Discount)</b>	<b>Net Book Value</b>	<b>Interest</b>	<b>Total</b>
2016	\$ -	\$ -	\$ -	\$ -	\$ -
2017	-	-	-	-	-
2018	1,245,000	(838)	1,244,162	135,861	1,380,023
	<u>\$ 1,245,000</u>	<u>\$ (838)</u>	<u>\$ 1,244,162</u>	<u>\$ 135,861</u>	<u>\$ 1,380,023</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, which totaled \$47.6 million for the year ended June 30, 2015.

The annual requirements to amortize the bonds outstanding as of June 30, 2015, including interest payments, are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Premium/ (Discount)</b>	<b>Net Book Value</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 265,000	\$ 701	\$ 265,701	\$ 216,394	\$ 482,095
2017	275,000	1,495	276,495	206,456	482,951
2018	290,000	780	290,780	195,456	486,236
2019	300,000	(540)	299,460	183,856	483,316
2020	315,000	(2,353)	312,647	171,856	484,503
2021-2025	1,790,000	(18,707)	1,771,293	652,088	2,423,381
2026-2029	1,740,000	(28,092)	1,711,908	210,869	1,922,777
	<u>\$ 4,975,000</u>	<u>\$ (46,716)</u>	<u>\$ 4,928,284</u>	<u>\$ 1,836,975</u>	<u>\$ 6,765,259</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).

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

**Business-Type Activities**—Changes in the business-type activities obligations during the year ended June 30, 2015, were as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Amounts</b>
	<b>06/30/14</b>	<b>Additions</b>	<b>Deletions</b>	<b>06/30/15</b>	<b>Due within</b>
					<b>One Year</b>
Notes payable	\$ 16,623,235	\$ 14,949,532	\$ (14,795)	\$ 31,557,972	\$ 677,722
Bonds payable	17,152,475	3,523	(871,560)	16,284,438	902,017
Landfill closure	391,243	28,097	-	419,340	-
Compensated absences	300,424	312,026	(286,985)	325,465	104,084
Net pension liability	5,553,159	-	(1,711,201)	3,841,958	-
	<u>\$ 40,020,536</u>	<u>\$ 15,293,178</u>	<u>\$ (2,884,541)</u>	<u>\$ 52,429,173</u>	<u>\$ 1,683,823</u>

**Note Payable-Wastewater Utility System Improvements**—On April 29, 2010, the City entered into a clean water state revolving loan agreement with the New Mexico Environment Department, with a total maximum amount of \$18,000,000. The note is for twenty years, and accrues interest at 2.00% per annum. The proceeds of the loan agreement will be used for improvements to the City’s wastewater utility system. The payments of principal and interest will be paid with net revenues from the City’s water and wastewater utility system activities, which totaled \$21.8 million for the year ended June 30, 2015.

As per the agreement, the City has three years from the date of the agreement to complete all work on the wastewater utility system. The City received a two year extension for construction in April 2013. As of June 30, 2015, the City has requested loan proceeds, totaling \$16,210,160. As per the agreement, the first loan payment is not required until one year after the completion of the project. The City recorded the proceeds as long-term debt with no portion allocated for an amount due within one year.

**Note Payable-Double Eagle Waterline Improvements**—On June 18, 2010, the City entered into a water project loan and subsidy agreement with the New Mexico Water Trust Board, financed by the New Mexico Finance Authority, with a total amount of \$1,500,000, of which the loan portion of the agreement is a maximum of \$300,000. The note matures on June 1, 2030, and does not accrue interest. The note accrues an administrative fee of .25% per annum. The proceeds of the loan and subsidy agreement will be used for water line improvements to the Double Eagle system. The payments of principal and interest will be paid from net revenues from the City’s water and wastewater utility system activities, which totaled \$21.8 million for the year ended June 30, 2015.

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The annual requirements to amortize the loan outstanding as of June 30, 2015, including interest payments, are as follows:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 14,831	\$ 566	\$ 15,397
2017	14,868	529	15,397
2018	14,905	492	15,397
2019	14,942	455	15,397
2020	14,980	417	15,397
2021-2025	75,462	1,522	76,984
2026-2030	76,411	574	76,985
	<u>\$ 226,399</u>	<u>\$ 4,555</u>	<u>\$ 230,954</u>

**Note Payable-Double Eagle**—On November 22, 2013, the City entered into a drinking water state revolving loan fund agreement with the New Mexico Finance Authority, with a total maximum amount of \$20,200,000. The note is for twenty years after the date of completion and accrues interest at 2.00% per annum. The proceeds of the loan agreement will be used for improvements to the City’s Double Eagle water line system. The payments of principal and interest will be paid with net revenues from the City’s water utility system activities, which totaled \$21.8 million for the year ended June 30, 2015.

As per the agreement, the City has two years from the date of closing to requisition the aggregate program amount. As of June 30, 2015, the City has requested loan proceeds totaling \$15,121,414. In December 2015, the City requested an extension to the construction period from November 22, 2015 to March 31, 2016. As per the agreement, the first loan payment required in May 2016 is estimated to be \$662,891.

**Note Payable - Solid Waste Grappler Trucks**—On March 20, 2015, the City borrowed \$1,165,267 from the New Mexico Finance Authority. The note matures on May 1, 2025, and accrues interest at a rate of 1.449%. The proceeds of the loan were used for the purchase of new solid waste equipment, including grappler trucks. The payments of principal and interest are paid from the net revenues of the City’s water and wastewater utility system activities, which totaled \$21.8 million for the year ended June 30, 2015. During the fiscal year ended June 30, 2015, the City did not request nor receive any of the loan proceeds.

The annual requirements to amortize the loan outstanding as of June 30, 2015, including interest payments, are as follows:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 111,363	\$ 15,429	\$ 126,792
2017	113,042	13,506	126,548
2018	113,573	12,862	126,435
2019	114,278	12,044	126,322
2020	115,203	11,004	126,207
2021-2025	597,808	96,317	694,125
	<u>\$ 1,165,267</u>	<u>\$ 161,162</u>	<u>\$ 1,326,429</u>

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**Note Payable - Water Storage / Conveyance**—On May 1, 2015, the City entered into an water 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 \$600,000. The note matures on June 1, 2035, and does not accrue interest. The note accrues an administrative fee of .25% per annum. The proceeds of the loan and subsidy agreement will be used for water storage and conveyance. The payments of principal and interest will be paid from net revenues from the City's water and wastewater utility system activities, which totaled \$21.8 million for the year ended June 30, 2015. During, the fiscal year ended June 30, 2015, the City did not request nor receive any of the loan or subsidy proceeds.

The annual requirements to amortize the loan outstanding as of June 30, 2015, including interest payments, are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 29,175	\$ 1,625	\$ 30,800
2017	29,373	1,427	30,800
2018	29,447	1,353	30,800
2019	29,520	1,280	30,800
2020	29,594	1,206	30,800
2020-2025	149,083	4,917	154,000
2026-2030	150,956	3,044	154,000
2021-2035	<u>152,852</u>	<u>1,148</u>	<u>154,000</u>
	<u>\$ 600,000</u>	<u>\$ 16,000</u>	<u>\$ 616,000</u>

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

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

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The annual requirements to amortize the bonds outstanding as of June 30, 2015, including interest payments, are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Premium/ (Discount)</b>	<b>Net Book Value</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 900,000	\$ 2,017	\$ 902,017	\$ 724,806	\$ 1,626,823
2017	925,000	5,112	930,112	695,556	1,625,668
2018	960,000	7,916	967,916	663,181	1,631,097
2019	995,000	9,897	1,004,897	627,181	1,632,078
2020	1,035,000	(946)	1,034,054	587,381	1,621,435
2021-2025	5,860,000	(77,406)	5,782,594	2,248,006	8,030,600
2026-2029	5,755,000	(92,152)	5,662,848	733,150	6,395,998
	<u>\$ 16,430,000</u>	<u>\$ (145,562)</u>	<u>\$ 16,284,438</u>	<u>\$ 6,279,261</u>	<u>\$ 22,563,699</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 \$3,066,160 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2015. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in state and federal landfill laws and regulations. The estimated remaining site life is approximately 72 years.

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

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The following calculation details the current amount recognized for landfill closure and postclosure care as of June 30, 2015:

Estimated landfill closure cost	\$ 1,478,212
Estimated landfill post-closure care cost	<u>1,587,948</u>
 Total estimated closure and post-closure costs	 <u>\$ 3,066,160</u>
 FY14 capacity used to date	 \$ 2,695,732
FY15 tonnage received/capacity used	<u>193,502</u>
 FY15 capacity used to date	 <u>\$ 2,889,234</u>
 Total capacity used to date (approximately 2,889,234 cubic gate yards) as a percentage of total capacity (10,562,889 cubic gate yards)	  <u>25.52 %</u>
 Total estimated closure and post-closure costs	 \$ 3,066,160
Total capacity used to date	<u>27.35 %</u>
 Estimated closure and post-closure care costs	 <u>\$ 838,679</u>
 Estimated closure and post-closure care costs	 \$ 838,679
Prior year liability	<u>782,484</u>
 Current year liability increase	 <u>\$ 56,195</u>
 City of Carlsbad's portion (50% of current year liability)	 <u>\$ 28,098</u>
 Prior year liability recognized	 \$ 391,242
Current year liability adjustment	<u>28,098</u>
 Estimated liability for the fiscal year ended June 30, 2015	 <u>\$ 419,340</u>

**10. RESTATEMENT OF NET POSITION**

During the year ended June 30, 2015, the City implemented GASB Statement Nos. 68 and 71. As a result of these accounting standard changes, beginning net position/fund balance were restated in the City's financial statements. Also, a restatement was made in the Joint Water and Sewer Fund for understated customer deposits in the prior year in the amount of \$69,012. The restatements were made in the City's financial statements as follows:



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Government Wide

	Governmental Activities	Business-Type Activities
Beginning net position/fund balance as originally reported	\$ 136,758,569	\$ 82,062,192
GASB 68 & 71 Pensions	(32,489,131)	(5,187,352)
Customer Deposits	-	(69,012)
Beginning net position/fund balance as restated	\$ 104,269,438	\$ 76,805,828

Proprietary Funds

	Solid Waste Fund	Joint Water & Sewer Fund	Other Enterprise Funds
Beginning net position/fund balance as originally reported	\$ 6,916,348	\$ 70,473,335	\$ 4,672,509
GASB 68 & 71 Pensions	(1,230,986)	(3,231,119)	(725,247)
Customer Deposits	-	(69,012)	-
Beginning net position/fund balance as restated	\$ 5,685,362	\$ 67,173,204	\$ 3,947,262

**11. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**General information about the retirement plan**—The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Audit Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained from <http://saonm.org/> by using the Audit Report Search function for agency 366.

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**Benefits provided**—For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at the following internet address:

[http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf)

**Contributions**—The contribution requirements of defined benefit plan members and the City are established in state statute Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for fiscal year 2014 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA fiscal year 2014 annual audit report which can reviewed at the following internet address:

[http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf).

The PERA coverage options that apply to the City are: Municipal General, Municipal Police and Municipal Fire Divisions. Statutorily required contributions to the pension plan from the City were \$2,868,943 for the year ended June 30, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**—The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11, NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The City's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

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**PERA Fund Municipal General Division**—At June 30, 2015, the City reported a liability of \$13,005,949 for its proportionate share of the net pension liability. At June 30, 2014, the City's proportion was 1.6672 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the City recognized PERA Fund Municipal General Division pension expense of \$542,607. At June 30, 2015, the City reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ -	\$ 8,816
Net difference between projected and actual earnings on pension plan investments	-	5,088,270
City contributions subsequent to the measurement date	1,424,880	-
	\$ 1,424,880	\$ 5,097,086

\$1,424,880 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2014, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	
2016	\$ 1,274,260
2017	1,274,260
2018	1,274,260
2019	1,274,260
2020	45
Thereafter	-

**PERA Fund Municipal Police Division**—At June 30, 2015, the City reported a liability of \$5,805,215 for its proportionate share of the net pension liability. At June 30, 2014, the City's proportion was 1.7808 percent, which was an increase of zero from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the City recognized PERA Fund Municipal Police Division pension expense of \$389,851. At June 30, 2015, the City reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

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	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ -	\$ 471,581
Net difference between projected and actual earnings on pension plan investments	-	2,158,635
City contributions subsequent to the measurement date	<u>693,726</u>	<u>-</u>
	<u>\$ 693,726</u>	<u>\$ 2,630,216</u>

\$693,726 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2014, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	
2016	\$ 656,968
2017	656,968
2018	656,968
2019	656,968
2020	2,344
Thereafter	-

***PERA Fund Municipal Fire Division***—At June 30, 2015, the City reported a liability of \$11,886,699 for its proportionate share of the net pension liability. At June 30, 2014, the City's proportion was 2.8478 percent, which was an increase of zero from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the City recognized PERA Fund Municipal Fire Division pension expense of \$1,049,995. At June 30, 2015, the City reported PERA Fund Municipal Fire Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ 412,643	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,646,384
City contributions subsequent to the measurement date	<u>750,337</u>	<u>-</u>
	<u>\$ 1,162,980</u>	<u>\$ 1,646,384</u>

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\$750,337 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date, June 30, 2014, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>		
2016	\$	308,948
2017		308,948
2018		308,948
2019		308,948
2020		(2,051)
Thereafter		-

**Actuarial assumptions**—As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014.

These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions;	
• Investment rate of return	7.75% annual rate, net of investment expense
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate

The long-term expected rate or return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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<u>All Funds Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.10%	5.00%
International Equity	24.80%	5.20%
Private Equity	7.00%	8.20%
Core and Global Fixed Income	26.10%	1.85%
Fixed Income Plus Sectors	5.00%	4.80%
Real Estate	5.00%	5.30%
Real Assets	7.00%	5.70%
Absolute Return	4.00%	4.15%
Total	100%	

**Discount rate**—The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate**—The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the City's net pension liability in each PERA Fund Division that the City participates in, under the current single rate assumption; as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	<u>1% Decrease 6.75%</u>	<u>Current Discount Rate 7.75%</u>	<u>1% Increase 8.75%</u>
<b>PERA Fund Municipal General Division</b>			
City of Carlsbad proportionate share of the net pension liability	\$ 24,519,139	\$ 13,005,949	\$ 4,111,459
<b>PERA Fund Municipal Police Division</b>			
City of Carlsbad proportionate share of the net pension liability	\$ 11,070,553	\$ 5,805,215	\$ 1,873,657
<b>PERA Fund Municipal Fire Division</b>			
City of Carlsbad proportionate share of the net pension liability	\$ 16,795,015	\$ 11,886,699	\$ 8,266,626

**Pension plan fiduciary net position**—Detailed information about the pension plan's fiduciary net position is available in the separately issued fiscal year 2014 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

**Payables to the pension plan**— There were no unpaid contractually required employer contributions outstanding to PERA at June 30, 2015.

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**12. POST-EMPLOYMENT - STATE RETIREE HEALTH CARE PLAN**

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

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plans 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary.

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For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$479,118, \$435,738 and \$403,700, respectively, which equal the required contributions for each year.

**13. COMMITMENTS**

The City has the following construction commitments as of June 30, 2015. These projects are evidenced by contractual arrangements with construction contractors:

Commitments of Governmental-type Activities

Project	Fund	Contract Amount	Spent to Date	Commitment Remaining	Percentage Complete
PD Communications	General Fund	\$ 1,034,822	\$ 761,161	\$ 273,661	74%
San Jose - Dark Canyon Repair	Disaster Preparedness Fund	859,187	661,448	197,739	77%
Municipal Annex Construction	CIEP Fund	705,300	201,827	503,473	29%
San Jose Blvd Phase III	Street System Improvement Fund	577,725	536,315	41,410	93%
Engineering Effluent Phase 4	CIEP Fund	408,601	28,726	379,875	7%
Halagueno Art Park Phase II	CIEP Fund	395,003	327,962	67,041	83%
Architectural Cavern Theatre	Lodgers' Tax Fund	299,967	73,381	226,616	24%
Renovation of Muni Golf Shop	General Fund	282,560	263,180	19,380	93%
Engineering Effluent Reuse	Federal Projects Fund	263,500	262,913	587	100%
Miscellaneous other projects		<u>1,957,642</u>	<u>956,364</u>	<u>1,001,278</u>	49%
Total		<u>\$ 6,784,307</u>	<u>\$ 4,073,277</u>	<u>\$ 2,711,060</u>	

Commitments of Business-type Activities

Project	Fund	Contract Amount	Spent to Date	Commitment Remaining	Percentage Complete
DE Extension Constructions	Joint Water and Sewer Fund	\$15,041,083	\$14,248,449	\$ 792,634	95%
Wastewater Treatment Plant	Joint Water and Sewer Fund	14,242,355	13,777,526	464,829	97%
DE Waterline Phase I	Joint Water and Sewer Fund	10,238,397	9,825,160	413,237	96%
DE Waterline Engineering I	Joint Water and Sewer Fund	5,337,420	4,914,104	423,316	92%
High Pressure Loop Line	Joint Water and Sewer Fund	3,010,285	2,894,188	116,097	96%
Wastewater Treatment Plant	Joint Water and Sewer Fund	2,403,755	2,398,606	5,149	100%
Drill 5 Wells	Joint Water and Sewer Fund	1,296,832	384,451	912,381	30%
Scada Improvements	Joint Water and Sewer Fund	1,177,235	905,624	271,611	77%
Engineering Pressure Loop Line	Joint Water and Sewer Fund	414,046	398,844	15,202	96%
Engineering NW Field	Joint Water and Sewer Fund	411,394	147,223	264,171	36%
Engineering Sewer Lift Stations	Joint Water and Sewer Fund	301,507	60,718	240,789	20%
Wastewater Treatment Plant	Joint Water and Sewer Fund	253,505	214,390	39,115	85%
Miscellaneous other projects		<u>663,358</u>	<u>283,054</u>	<u>380,534</u>	
Total		<u>\$54,791,172</u>	<u>\$50,452,337</u>	<u>\$ 4,339,065</u>	

The City also had commitments outstanding at June 30, 2015, relating to vehicle and equipment orders totaling approximately \$1,600,000.



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Operating Lease Commitments

The City is the lessee in various operating type leases involving copiers, scanners, and grounds maintenance equipment due in either monthly or quarterly payments. The leases expire in various years through fiscal year 2019. Total operating lease expense for the year ended June 30, 2015 was \$280,160 and was apportioned between governmental and business type activities.

<b>Year Ended June 30,</b>	
2016	\$ 289,354
2017	203,814
2018	85,764
2019	<u>4,874</u>
Total	<u>\$ 583,806</u>

**14. RISK MANAGEMENT**

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

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

**15. CONTINGENT LIABILITIES**

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

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

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**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**16. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

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

**Deficit Fund Balance of Individual Funds**—There were no funds that had a deficit fund balance for the year ended June 30, 2015.

**Excess of Expenditures Over Appropriations**—There were no funds that exceeded approved budgetary authority for the year ended June 30, 2015.

**Designated Cash Appropriations**—There were no funds that exceeded approved designated cash appropriations for the year ended June 30, 2015.

**17. INTERFUND TRANSFERS**

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

	Transfers in							Total
	General Fund	Street Improvements Fund	Solid Waste Fund	Joint Water and Sewer Fund	Other Governmental Funds	Other Enterprise Funds	Internal Service Funds	
<b>Transfers (out)</b>								
General Fund	\$ -	\$ 4,561,500	\$ -	\$ -	\$ 2,727,353	\$ 1,038,656	\$ 2,468,711	\$ 10,796,220
GRT Capital Outlay Fund	-	-	-	143,139	480,319	-	-	623,458
Solid Waste Fund	1,800,000	-	-	-	-	-	97,378	1,897,378
Joint Water and Sewer Fund	2,415,726	-	-	-	11,236	-	440,078	2,867,040
Other Governmental Funds	12,177	-	-	222,285	188,318	278,790	-	701,570
Other Enterprise Funds	-	-	-	-	-	-	20,000	20,000
Internal Service Funds	455,791	806,026	37,193	65,582	12,417	13,317	-	1,390,326
	<u>\$ 4,683,694</u>	<u>\$ 5,367,526</u>	<u>\$ 37,193</u>	<u>\$ 431,006</u>	<u>\$ 3,419,643</u>	<u>\$ 1,330,763</u>	<u>\$ 3,026,167</u>	<u>\$ 18,295,992</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
CITY OF CARLSBAD**

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)  
LAST 10 FISCAL YEARS\*

	<b>2015</b>
<b>City of Carlsbad</b> proportion of the net pension liability (asset)	
Municipal	1.6672%
Police	1.7808%
Fire	2.847%
<b>City of Carlsbad</b> proportionate share of the net pension liability (asset)	
Municipal	\$ 13,005,949
Police	5,805,215
Fire	11,886,699
<b>City of Carlsbad</b> covered-employee payroll	
Municipal	\$ 16,001,413
Police	4,645,008
Fire	4,339,740
<b>City of Carlsbad</b> proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	
Municipal	81.28%
Police	124.98%
Fire	273.90%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City of Carlsbad will present information for those years for which information is available.

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
SCHEDULE OF THE CITY'S CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)  
LAST 10 FISCAL YEARS\*

	<b>2015</b>
<b>Municipal</b>	
Contractually required contribution	\$ 1,424,880
Contributions in relation to the contractually required contribution	1,424,880
Contribution deficiency (excess)	\$ -
<b>City of Carlsbad</b> covered-employee payroll	\$ 17,600,236
Contributions as a percentage of covered-employee payroll	8.10%
<b>Police</b>	
Contractually required contribution	\$ 693,726
Contributions in relation to the contractually required contribution	693,726
Contribution deficiency (excess)	\$ -
<b>City of Carlsbad</b> covered-employee payroll	\$ 5,066,890
Contributions as a percentage of covered-employee payroll	13.69%
<b>Fire</b>	
Contractually required contribution	\$ 750,337
Contributions in relation to the contractually required contribution	750,337
Contribution deficiency (excess)	\$ -
<b>City of Carlsbad</b> covered-employee payroll	\$ 4,521,664
Contributions as a percentage of covered-employee payroll	16.59%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City of Carlsbad will present information for those years for which information is available.

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015

***Changes of benefit terms*** - The Public Employees Retirement Association (PERA) fund cost of living adjustment and retirement eligibility benefits change in recent years are described in Note 1 of the PERA fiscal year 2014 audit report. That report is available at the following address:

[http://www.pera.state.us/pdf/AuditFinanacialStatement/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://www.pera.state.us/pdf/AuditFinanacialStatement/366_Public_Employees_Retirement_Association_2014.pdf)

***Changes of assumption*** - The PERA actuarial valuation report as of June 30, 2014, is available at the following internet address:

[http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014PERA%Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014PERA%Valuation%20Report_FINAL.pdf)

The Summary of key findings for the PERA fund (on page 2 of the report) states, "based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation." The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13 percent to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	<b>Special Revenue Funds</b>					
	<b>Fire Protection Fund</b>	<b>Lodgers' Tax Fund</b>	<b>Airport Fund</b>	<b>Emergency Medical Services Fund</b>	<b>Local Government Corrections Fund</b>	<b>Law Enforcement Protection Fund</b>
<b>ASSETS:</b>						
Cash	\$ 533,888	\$ 2,655,108	\$ 5,886	\$ -	\$ 258,433	\$ 38,564
Receivables, net	-	168,481	177,556	-	-	-
Restricted:						
Investments	29	-	-	-	-	-
Total assets	<u>\$ 533,917</u>	<u>\$ 2,823,589</u>	<u>\$ 183,442</u>	<u>\$ -</u>	<u>\$ 258,433</u>	<u>\$ 38,564</u>
<b>LIABILITIES:</b>						
Accounts payable	\$ -	\$ 157,203	\$ 15,787	\$ -	\$ 46,999	\$ 38,564
Accrued salaries	-	-	-	-	-	-
Accrued sales taxes payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	157,203	15,787	-	46,999	38,564
Deferred inflows of resources:						
Deferred revenues	-	-	-	-	-	-
<b>FUND BALANCES:</b>						
Restricted for:						
Debt service	29	-	-	-	-	-
State mandated per statutes	168,811	409,417	-	-	53,794	-
Committed for:						
Subsequent years' expenditures	365,077	2,256,969	-	-	157,640	-
Assigned	-	-	167,655	-	-	-
Total fund balances	<u>533,917</u>	<u>2,666,386</u>	<u>167,655</u>	<u>-</u>	<u>211,434</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 533,917</u>	<u>\$ 2,823,589</u>	<u>\$ 183,442</u>	<u>\$ -</u>	<u>\$ 258,433</u>	<u>\$ 38,564</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, 2015

	<u>Special Revenue Funds</u>			<u>Capital Project Funds</u>		
	<u>RSVP Program Fund</u>	<u>Sports Complex Fund</u>	<u>Community Development Fund</u>	<u>Total Special Revenue Funds</u>	<u>Park Improvement Fund</u>	<u>CIEP Fund</u>
<b>ASSETS:</b>						
Cash	\$ 45,501	\$ 1,069,971	\$ 38,000	\$ 4,645,351	\$ 24,139	\$ 3,322,781
Receivables, net	-	296,239	-	642,276	9,434	154,425
Restricted:						
Investments	-	-	-	29	-	-
Total assets	<u>\$ 45,501</u>	<u>\$ 1,366,210</u>	<u>\$ 38,000</u>	<u>\$ 5,287,656</u>	<u>\$ 33,573</u>	<u>\$ 3,477,206</u>
<b>LIABILITIES:</b>						
Accounts payable	\$ -	\$ 148,071	\$ -	\$ 406,624	\$ 9,169	\$ 378,715
Accrued salaries	-	11,809	-	11,809	-	-
Accrued sales taxes payable	-	1,266	-	1,266	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	161,146	-	419,699	9,169	378,715
Deferred inflows of resources:						
Deferred revenues	-	-	-	-	-	-
<b>FUND BALANCES:</b>						
Restricted for:						
Debt service	-	-	-	29	-	-
State mandated per statutes	-	-	-	632,022	-	-
Committed for:						
Subsequent years' expenditures	45,501	236,403	38,000	3,099,590	-	3,098,491
Assigned	-	968,661	-	1,136,316	24,404	-
Total fund balances	<u>45,501</u>	<u>1,205,064</u>	<u>38,000</u>	<u>4,867,957</u>	<u>24,404</u>	<u>3,098,491</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 45,501</u>	<u>\$ 1,366,210</u>	<u>\$ 38,000</u>	<u>\$ 5,287,656</u>	<u>\$ 33,573</u>	<u>\$ 3,477,206</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, 2015

	<u>Capital Project Funds</u>		<u>Debt Service Funds</u>			<u>Total Debt Service Funds</u>	<u>Total Other Governmental Funds</u>
	<u>Federal Projects Fund</u>	<u>Total Capital Projects Funds</u>	<u>2002 Sales Tax Bonds Fund</u>	<u>GRT Capital Outlay Fund</u>	<u>NMFA Loan Fund</u>		
<b>ASSETS:</b>							
Cash	\$ 649,529	\$ 3,996,449	\$ 301,712	\$ -	\$ -	\$ 301,712	\$ 8,943,512
Receivables, net	787,009	950,868	-	-	-	-	1,593,144
Restricted:							
Investments	-	-	-	-	-	-	29
Total assets	<u>\$ 1,436,538</u>	<u>\$ 4,947,317</u>	<u>\$ 301,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 301,712</u>	<u>\$ 10,536,685</u>
<b>LIABILITIES:</b>							
Accounts payable	\$ 121,844	\$ 509,728	\$ -	\$ -	\$ -	\$ -	\$ 916,352
Accrued salaries	-	-	-	-	-	-	11,809
Accrued sales taxes payable	-	-	-	-	-	-	1,266
Due to other funds	-	-	-	-	-	-	-
Total liabilities	121,844	509,728	-	-	-	-	929,427
Deferred inflows of resources:							
Deferred revenues	6,075	6,075	-	-	-	-	6,075
<b>FUND BALANCES:</b>							
Restricted for:							
Debt service	-	-	301,712	-	-	301,712	301,741
State mandated per statutes	-	-	-	-	-	-	632,022
Committed for:							
Subsequent years' expenditures	649,527	3,748,018	-	-	-	-	6,847,608
Assigned	659,092	683,496	-	-	-	-	1,819,812
Total fund balances	<u>1,308,619</u>	<u>4,431,514</u>	<u>301,712</u>	<u>-</u>	<u>-</u>	<u>301,712</u>	<u>9,601,183</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,436,538</u>	<u>\$ 4,947,317</u>	<u>\$ 301,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 301,712</u>	<u>\$ 10,536,685</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**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Special Revenue Funds</b>					
	<b>Fire Protection Fund</b>	<b>Lodger's Tax Fund</b>	<b>Airport Fund</b>	<b>Emergency Medical Services Fund</b>	<b>Local Government Corrections Fund</b>	<b>Law Enforcement Protection Fund</b>
Revenues:						
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lodgers' taxes	-	2,255,943	-	-	-	-
Intergovernmental:						
Federal	-	-	79,283	-	-	-
State	369,924	-	779,214	20,000	-	63,600
Charges for services	-	-	5,918	-	145,802	-
Investment income	6	5	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total revenues</b>	<b>369,930</b>	<b>2,255,948</b>	<b>864,415</b>	<b>20,000</b>	<b>145,802</b>	<b>63,600</b>
Expenditures:						
Current:						
Public safety	-	-	-	-	314,491	38,564
Public works	-	-	175,881	-	-	-
Culture and recreation	-	900,880	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Capital outlay	-	371,368	903,253	34,920	-	47,724
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>1,272,248</b>	<b>1,079,134</b>	<b>34,920</b>	<b>314,491</b>	<b>86,288</b>
Excess (deficit) of revenues over expenditures	369,930	983,700	(214,719)	(14,920)	(168,689)	(22,688)
Other financing sources (uses):						
Transfers in	-	-	80,000	14,920	170,000	-
Transfers (out)	(88,317)	(361,000)	(12,177)	-	-	-
Bond discount	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(88,317)</b>	<b>(361,000)</b>	<b>67,823</b>	<b>14,920</b>	<b>170,000</b>	<b>-</b>
Net changes in fund balances	281,613	622,700	(146,896)	-	1,311	(22,688)
Fund balance - beginning of year	252,304	2,043,686	314,551	-	210,123	22,688
Fund balance - end of year	<u>\$ 533,917</u>	<u>\$ 2,666,386</u>	<u>\$ 167,655</u>	<u>\$ -</u>	<u>\$ 211,434</u>	<u>\$ -</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**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Special Revenue Funds</u>			<u>Capital Project Funds</u>		
	<u>RSVP Program Fund</u>	<u>Sports Complex Fund</u>	<u>Community Development Fund</u>	<u>Total Special Revenue Funds</u>	<u>Park Improvement Fund</u>	<u>CIEP Fund</u>
Revenues:						
Sales taxes	\$ -	\$ 1,715,067	\$ -	\$ 1,715,067	\$ -	\$ -
Lodgers' taxes	-	-	-	2,255,943	-	-
Intergovernmental:						
Federal	36,908	-	-	116,191	-	-
State	-	-	-	1,232,738	16,721	244,362
Charges for services	-	138,603	-	290,323	-	-
Investment income	-	27	-	38	-	1,833
Miscellaneous	500	100,138	-	100,638	-	1,106,696
	<u>37,408</u>	<u>1,953,835</u>	<u>-</u>	<u>5,710,938</u>	<u>16,721</u>	<u>1,352,891</u>
Total revenues						
Expenditures:						
Current:						
Public safety	-	-	-	353,055	-	-
Public works	-	-	-	175,881	-	-
Culture and recreation	-	972,662	-	1,873,542	22,177	-
Health and welfare	54,191	-	-	54,191	-	-
Economic development	-	-	-	-	-	28,126
Capital outlay	-	2,797,851	-	4,155,116	-	1,894,022
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
	<u>54,191</u>	<u>3,770,513</u>	<u>-</u>	<u>6,611,785</u>	<u>22,177</u>	<u>1,922,148</u>
Total expenditures						
Excess (deficit) of revenues over expenditures	(16,783)	(1,816,678)	-	(900,847)	(5,456)	(569,257)
Other financing sources (uses):						
Transfers in	-	112,416	-	377,336	-	2,119,083
Transfers (out)	-	-	-	(461,494)	-	(236,382)
Bond discount	-	-	-	-	-	-
	<u>-</u>	<u>112,416</u>	<u>-</u>	<u>(84,158)</u>	<u>-</u>	<u>1,882,701</u>
Total other financing sources (uses)						
Net changes in fund balances	(16,783)	(1,704,262)	-	(985,005)	(5,456)	1,313,444
Fund balance - beginning of year	62,284	2,909,326	38,000	5,852,962	29,860	1,785,047
Fund balance - end of year	<u>\$ 45,501</u>	<u>\$ 1,205,064</u>	<u>\$ 38,000</u>	<u>\$ 4,867,957</u>	<u>\$ 24,404</u>	<u>\$ 3,098,491</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**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Capital Project Funds</u>		<u>Debt Service Funds</u>			<u>Total Other Governmental Funds</u>	
	<u>Federal Projects Fund</u>	<u>Total Capital Projects Fund</u>	<u>2002 Sales Tax Bonds Fund</u>	<u>GRT Capital Outlay Fund</u>	<u>NMFA Loan Fund</u>		<u>Total Debt Service Funds</u>
Revenues:							
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,715,067
Lodgers' taxes	-	-	-	-	-	-	2,255,943
Intergovernmental:							
Federal	-	-	-	-	-	-	116,191
State	197,404	458,487	-	-	-	-	1,691,225
Charges for services	-	-	-	-	-	-	290,323
Investment income	-	1,833	-	-	-	-	1,871
Miscellaneous	-	1,106,696	-	-	-	-	1,207,334
<b>Total revenues</b>	<b>197,404</b>	<b>1,567,016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,277,954</b>
Expenditures:							
Current:							
Public safety	-	-	-	-	-	-	353,055
Public works	-	-	-	-	-	-	175,881
Culture and recreation	-	22,177	-	-	-	-	1,895,719
Health and welfare	-	-	-	-	-	-	54,191
Economic development	-	28,126	-	-	-	-	28,126
Capital outlay	201,099	2,095,121	-	-	-	-	6,250,237
Debt service:							
Principal	-	-	-	255,000	71,721	326,721	326,721
Interest	-	-	59,680	223,856	16,597	300,133	300,133
<b>Total expenditures</b>	<b>201,099</b>	<b>2,145,424</b>	<b>59,680</b>	<b>478,856</b>	<b>88,318</b>	<b>626,854</b>	<b>9,384,063</b>
Excess (deficit) of revenues over expenditures	(3,695)	(578,408)	(59,680)	(478,856)	(88,318)	(626,854)	(2,106,109)
Other financing sources (uses):							
Transfers in	11,236	2,130,319	343,350	480,319	88,318	911,987	3,419,642
Transfers (out)	(33,932)	(270,314)	-	-	-	-	(731,808)
Bond discount	-	-	(702)	(1,463)	-	(2,165)	(2,165)
<b>Total other financing sources (uses)</b>	<b>(22,696)</b>	<b>1,860,005</b>	<b>342,648</b>	<b>478,856</b>	<b>88,318</b>	<b>909,822</b>	<b>2,685,669</b>
Net changes in fund balances	(26,391)	1,281,597	282,968	-	-	282,968	579,560
Fund balance - beginning of year	1,335,010	3,149,917	18,744	-	-	18,744	9,021,623
Fund balance - end of year	<u>\$ 1,308,619</u>	<u>\$ 4,431,514</u>	<u>\$ 301,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 301,712</u>	<u>\$ 9,601,183</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**  
**FIRE PROTECTION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**WITH RECONCILIATION TO GAAP**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
State	\$ 381,247	\$ 381,247	\$ 369,924	\$ (11,323)
Investment income	-	-	6	6
	<u>381,247</u>	<u>381,247</u>	<u>369,930</u>	<u>(11,317)</u>
Total revenues	381,247	381,247	369,930	(11,317)
Expenditures:				
Current:				
Public safety	-	-	-	-
Capital outlay	518,000	518,000	-	518,000
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>518,000</u>	<u>518,000</u>	<u>-</u>	<u>518,000</u>
Total expenditures	518,000	518,000	-	518,000
Excess (deficiency) of revenues over expenditures	(136,753)	(136,753)	369,930	506,683
Other financing sources:				
Transfers in	-	-	-	-
Transfers (out)	(88,318)	(88,318)	(88,317)	1
	<u>(88,318)</u>	<u>(88,318)</u>	<u>(88,317)</u>	<u>1</u>
Total other financing sources (uses)	(88,318)	(88,318)	(88,317)	1
Net changes in fund balance	(225,071)	(225,071)	281,613	506,684
Fund balance- beginning of year	<u>252,292</u>	<u>252,292</u>	<u>252,292</u>	<u>-</u>
Fund balance - end of year	<u>\$ 27,221</u>	<u>\$ 27,221</u>	<u>\$ 533,905</u>	<u>\$ 506,684</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 281,613	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ 281,613</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 FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
WITH RECONCILIATION TO GAAP  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Lodgers' taxes	\$ 1,583,121	\$ 1,583,121	\$ 2,289,096	\$ 705,975
Investment income	-	-	6	6
Intergovernmental - Federal	-	217,800	-	(217,800)
Total revenues	<u>1,583,121</u>	<u>1,800,921</u>	<u>2,289,102</u>	<u>488,181</u>
Expenditures:				
Current:				
Culture and recreation	1,094,381	1,304,740	752,315	552,425
Capital outlay	933,402	1,438,952	366,715	1,072,237
Total expenditures	<u>2,027,783</u>	<u>2,743,692</u>	<u>1,119,030</u>	<u>1,624,662</u>
Excess (deficiency) of revenues over expenditures	(444,662)	(942,771)	1,170,072	2,112,843
Other financing sources:				
Transfers (out)	(261,000)	(361,000)	(361,000)	-
Total other financing sources (uses)	<u>(261,000)</u>	<u>(361,000)</u>	<u>(361,000)</u>	<u>-</u>
Net changes in fund balance	(705,662)	(1,303,771)	809,072	2,112,843
Fund balance - beginning of year	<u>1,846,037</u>	<u>1,846,037</u>	<u>1,846,037</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,140,375</u>	<u>\$ 542,266</u>	<u>\$ 2,655,109</u>	<u>\$ 2,112,843</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 809,072	
Net revenue accruals			(33,154)	
Net expenditure accruals			<u>(153,218)</u>	
Net changes in fund balance GAAP basis			<u>\$ 622,700</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 FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
WITH RECONCILIATION TO GAAP  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Revenues:				
Intergovernmental:				
Federal	\$ 296,343	\$ 296,343	\$ 231,822	\$ (64,521)
State	1,071,104	1,079,172	884,452	(194,720)
Charges for services	11,760	11,760	5,919	(5,841)
Total revenues	1,379,207	1,387,275	1,122,193	(265,082)
Expenditures:				
Current:				
Public works	179,335	188,300	173,968	14,332
Capital outlay	1,108,529	1,188,529	1,024,965	163,564
Total expenditures	1,287,864	1,376,829	1,198,933	177,896
Excess (deficiency) of revenues over expenditures	91,343	10,446	(76,740)	(87,186)
Other financing sources:				
Transfers in	-	80,000	80,000	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	80,000	80,000	-
Net changes in fund balance	91,343	90,446	3,260	(87,186)
Fund balance - beginning of year	2,627	2,627	2,627	-
Fund balance - end of year	\$ 93,970	\$ 93,073	\$ 5,887	\$ (87,186)
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 3,260	
Net revenue accruals			(257,777)	
Net expenditure accruals			107,621	
Net changes in fund balance GAAP basis			\$ (146,896)	

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
EMERGENCY MEDICAL SERVICES FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
WITH RECONCILIATION TO GAAP  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
State	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Expenditures:				
Capital outlay	<u>38,000</u>	<u>38,000</u>	<u>34,920</u>	<u>3,080</u>
Total expenditures	<u>38,000</u>	<u>38,000</u>	<u>34,920</u>	<u>3,080</u>
Excess (deficiency) of revenues over expenditures	(18,000)	(18,000)	(14,920)	3,080
Other financing sources:				
Transfers in	18,000	18,000	14,920	(3,080)
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>18,000</u>	<u>18,000</u>	<u>14,920</u>	<u>(3,080)</u>
Net changes in fund balance	-	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<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 FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
WITH RECONCILIATION TO GAAP  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 124,000	\$ 124,000	\$ 145,802	\$ 21,802
Expenditures:				
Current:				
Public safety	<u>400,716</u>	<u>400,716</u>	<u>288,792</u>	<u>111,924</u>
Excess (deficiency) of revenues over expenditures	(276,716)	(276,716)	(142,990)	133,726
Other financing sources:				
Transfers in	170,000	170,000	170,000	-
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>170,000</u>	<u>170,000</u>	<u>170,000</u>	<u>-</u>
Net changes in fund balance	(106,716)	(106,716)	27,010	133,726
Fund balance- beginning of year	<u>231,423</u>	<u>231,423</u>	<u>231,423</u>	<u>-</u>
Fund balance - end of year	<u>\$ 124,707</u>	<u>\$ 124,707</u>	<u>\$ 258,433</u>	<u>\$ 133,726</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 27,010	
Net revenue accruals			-	
Net expenditure accruals			<u>(25,699)</u>	
Net changes in fund balance GAAP basis			<u>\$ 1,311</u>	

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**LAW ENFORCEMENT PROTECTION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**WITH RECONCILIATION TO GAAP**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
State	\$ 63,600	\$ 63,600	\$ 63,600	\$ -
Expenditures:				
Current:				
Public safety	37,481	41,145	2,581	38,564
Capital outlay	51,388	47,724	47,724	-
Total expenditures	<u>88,869</u>	<u>88,869</u>	<u>50,305</u>	<u>38,564</u>
Excess (deficiency) of revenues over expenditures	(25,269)	(25,269)	13,295	38,564
Other financing sources:				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	(25,269)	(25,269)	13,295	38,564
Fund balance - beginning of year	<u>25,269</u>	<u>25,269</u>	<u>25,269</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,564</u>	<u>\$ 38,564</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 13,295	
Net revenue accruals			-	
Net expenditure accruals			<u>(35,983)</u>	
Net changes in fund balance GAAP basis			<u>\$ (22,688)</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 FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**WITH RECONCILIATION TO GAAP**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<b>Variance with Final Budget Over (Under)</b>
Revenues:				
Intergovernmental:				
Federal	\$ 36,907	\$ 36,907	\$ 36,907	\$ -
Miscellaneous	-	-	500	500
Total revenue	36,907	36,907	37,407	500
Expenditures:				
Current:				
Health and welfare	94,462	94,706	55,193	39,513
Excess (deficiency) of revenues over expenditures	(57,555)	(57,799)	(17,786)	40,013
Other financing sources:				
Transfers in	10,000	10,000	-	(10,000)
Transfers (out)	-	-	-	-
Total other financing sources (uses)	10,000	10,000	-	(10,000)
Net changes in fund balance	(47,555)	(47,799)	(17,786)	30,013
Fund balance - beginning of year	63,287	63,287	63,287	-
Fund balance - end of year	<u>\$ 15,732</u>	<u>\$ 15,488</u>	<u>\$ 45,501</u>	<u>\$ 30,013</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (17,786)	
Net revenue accruals			-	
Net expenditure accruals			<u>1,003</u>	
Net changes in fund balance GAAP basis			<u>\$ (16,783)</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 FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
WITH RECONCILIATION TO GAAP  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Revenues:				
Sales taxes	\$ 1,496,243	\$ 1,496,243	\$ 1,714,104	\$ 217,861
Charges for services	70,000	70,000	134,205	64,205
Donations	-	100,000	100,000	-
Other income	-	-	138	138
Interest	-	-	27	27
	1,566,243	1,666,243	1,948,474	282,231
Total revenue				
Expenditures:				
Current:				
Culture and recreation	1,132,907	1,119,678	943,314	176,364
Capital outlay	2,533,979	3,230,979	2,779,753	451,226
	3,666,886	4,350,657	3,723,067	627,590
Total expenditures				
Excess (deficiency) of revenues over expenditures	(2,100,643)	(2,684,414)	(1,774,593)	909,821
Other financing sources:				
Transfers in	-	112,417	112,416	(1)
	-	112,417	112,416	(1)
Total other financing sources(uses)				
Net changes in fund balance	(2,100,643)	(2,571,997)	(1,662,177)	909,820
Fund balance - beginning of year	2,424,293	2,424,293	2,424,293	-
Restatement	307,854	307,854	307,854	-
Fund balance - beginning of year restated	2,732,147	2,732,147	2,732,147	-
Fund balance - end of year	\$ 631,504	\$ 160,150	\$ 1,069,970	\$ 909,820
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (1,662,177)	
Net revenue accruals			6,331	
Net expenditure accruals			(48,416)	
Net changes in fund balance GAAP basis			\$ (1,704,262)	

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
COMMUNITY DEVELOPMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
WITH RECONCILIATION TO GAAP  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
Federal	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	<u>37,999</u>	<u>37,999</u>	<u>-</u>	<u>37,999</u>
Total expenditures	<u>37,999</u>	<u>37,999</u>	<u>-</u>	<u>37,999</u>
Net changes in fund balance	(37,999)	(37,999)	-	37,999
Fund balance - beginning of year	<u>38,000</u>	<u>38,000</u>	<u>38,000</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 38,000</u>	<u>\$ 37,999</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

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

**MAJOR CAPITAL PROJECT FUNDS  
BUDGETARY COMPARISON STATEMENTS**



**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
GRT CAPITAL OUTLAY FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
WITH RECONCILIATION TO GAAP  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales taxes	\$ 2,771,060	\$ 2,771,060	\$ 3,230,600	\$ 459,540
Interest	-	-	1,321	1,321
Total revenues	2,771,060	2,771,060	3,231,921	460,861
Expenditures:				
Capital outlay	6,187,840	6,187,840	525,162	5,662,678
Total expenditures	6,187,840	6,187,840	525,162	5,662,678
Excess (deficiency ) of revenues over expenditure	(3,416,780)	(3,416,780)	2,706,759	6,123,539
Other financing sources (uses:)				
Transfers (out)	(480,319)	(480,319)	(480,319)	-
Net changes in fund balance	(3,897,099)	(3,897,099)	2,226,440	6,123,539
Fund balance - beginning of year	10,821,203	10,821,203	10,821,203	-
Fund balance - end of year	<u>\$ 6,924,104</u>	<u>\$ 6,924,104</u>	<u>\$ 13,047,643</u>	<u>\$ 6,123,539</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 2,226,440	
Net revenue accruals			10,808	
Net expenditure accruals			<u>(38,016)</u>	
Net changes in fund balance GAAP basis			<u>\$ 2,199,232</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 FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
WITH RECONCILIATION TO GAAP  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Public service taxes	\$ 550,000	\$ 550,000	\$ 626,495	\$ 76,495
Intergovernmental:				
State	270,000	620,309	-	(620,309)
Local	-	4,350	-	(4,350)
Licenses and permits	67,000	67,000	82,753	15,753
Investment income	-	-	2,536	2,536
Miscellaneous	-	-	86	86
Total revenues	<u>887,000</u>	<u>1,241,659</u>	<u>711,870</u>	<u>(529,789)</u>
Expenditures:				
Capital outlay	<u>7,724,387</u>	<u>8,817,084</u>	<u>3,973,270</u>	<u>4,843,814</u>
Total expenditures	<u>7,724,387</u>	<u>8,817,084</u>	<u>3,973,270</u>	<u>4,843,814</u>
Excess (deficiency) of revenues over expenditures	(6,837,387)	(7,575,425)	(3,261,400)	4,314,025
Other financing sources (uses):				
Transfers in	3,875,000	4,561,500	4,561,500	-
Net changes in fund balance	(2,962,387)	(3,013,925)	1,300,100	4,314,025
Fund balance - beginning of year	<u>3,437,948</u>	<u>3,437,948</u>	<u>3,437,948</u>	<u>-</u>
Fund balance - end of year	<u>\$ 475,561</u>	<u>\$ 424,023</u>	<u>\$ 4,738,048</u>	<u>\$ 4,314,025</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 1,300,100	
Net revenue accruals			100,777	
Net expenditure accruals			<u>289,711</u>	
Net changes in fund balance GAAP basis			<u>\$ 1,690,588</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 FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**WITH RECONCILIATION TO GAAP**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
State	\$ 67,742	\$ 49,742	\$ 33,962	\$ (15,780)
Expenditures:				
Current:				
Culture and recreation	30,525	20,175	13,009	7,166
Capital outlay	10,475	2,825	-	2,825
Total expenditures	<u>41,000</u>	<u>23,000</u>	<u>13,009</u>	<u>9,991</u>
Excess (deficiency) of revenues over expenditure	26,742	26,742	20,953	(5,789)
Other financing sources (uses:)				
Transfers in	-	-	-	-
Net changes in fund balance	26,742	26,742	20,953	(5,789)
Fund balance - beginning of year	<u>3,185</u>	<u>3,185</u>	<u>3,185</u>	<u>-</u>
Fund balance - end of year	<u>\$ 29,927</u>	<u>\$ 29,927</u>	<u>\$ 24,138</u>	<u>\$ (5,789)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 20,953	
Net revenue accruals			(17,240)	
Net expenditure accruals			<u>(9,169)</u>	
Net changes in fund balance GAAP basis			<u>\$ (5,456)</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 FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
WITH RECONCILIATION TO GAAP  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Revenues:				
Intergovernmental:				
State	\$ 418,725	\$ 541,401	\$ 193,598	\$ (347,803)
Interest	-	-	1,833	1,833
Donations	-	-	699,558	699,558
Miscellaneous	-	556,618	557,769	1,151
	418,725	1,098,019	1,452,758	354,739
Total revenues				
Expenditures:				
Current:				
Economic development	84,348	927,865	27,626	900,239
Capital outlay	3,995,792	4,129,892	2,167,765	1,962,127
	4,080,140	5,057,757	2,195,391	2,862,366
Total expenditures				
Excess (deficiency) of revenues over expenditures	(3,661,415)	(3,959,738)	(742,633)	3,217,105
Other financing sources (uses):				
Transfers in	1,775,000	2,119,083	2,119,083	-
Transfers (out)	-	(62,984)	(62,984)	-
	1,775,000	2,056,099	2,056,099	-
Total other financing sources (uses)				
Net change	(1,886,415)	(1,903,639)	1,313,466	3,217,105
Fund balance - beginning of year	2,009,316	2,009,316	2,009,316	-
Fund balance - end of year	\$ 122,901	\$ 105,677	\$ 3,322,782	\$ 3,217,105
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 1,313,466	
Net revenue accruals			50,764	
Net expenditure accruals			(50,786)	
Net changes in fund balance GAAP basis			\$ 1,313,444	

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**FEDERAL PROJECTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**WITH RECONCILIATION TO GAAP**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Federal	\$ 1,078,509	\$ 1,078,509	\$ -	\$ (1,078,509)
State	275,294	275,294	275,294	-
Miscellaneous	-	-	-	-
Total revenues	<u>1,353,803</u>	<u>1,353,803</u>	<u>275,294</u>	<u>(1,078,509)</u>
Expenditures:				
Current:				
General government	10,000	10,000	-	10,000
Capital outlay	<u>705,226</u>	<u>705,226</u>	<u>169,049</u>	<u>536,177</u>
Total expenditures	<u>715,226</u>	<u>715,226</u>	<u>169,049</u>	<u>546,177</u>
Excess (deficiency) of revenues over expenditures	638,577	638,577	106,245	(532,332)
Other financing sources (uses):				
Transfers in	11,236	11,236	11,236	-
Transfers (out)	<u>(1,301,861)</u>	<u>(1,301,861)</u>	<u>(120,000)</u>	<u>(1,181,861)</u>
Total other financing sources (uses)	<u>(1,290,625)</u>	<u>(1,290,625)</u>	<u>(108,764)</u>	<u>(1,181,861)</u>
Net change	(652,048)	(652,048)	(2,519)	649,529
Fund balance - beginning of year	<u>652,049</u>	<u>652,049</u>	<u>652,049</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 649,530</u>	<u>\$ 649,529</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (2,519)	
Net revenue accruals			(85,294)	
Due to other funds			120,000	
Net expenditure accruals			<u>(58,578)</u>	
Net changes in fund balance GAAP basis			<u>\$ (26,391)</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**  
2002 SALES TAX BONDS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
WITH RECONCILIATION TO GAAP  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Expenditures:				
Debt service:				
Principal	\$ 290,000	\$ 282,967	\$ -	\$ 282,967
Interest	53,350	60,383	60,382	1
Total expenditures	<u>343,350</u>	<u>343,350</u>	<u>60,382</u>	<u>282,968</u>
Excess (deficiency) of revenues over expenditures	(343,350)	(343,350)	(60,382)	282,968
Other financing sources (uses):				
Transfers in	<u>343,350</u>	<u>343,350</u>	<u>343,350</u>	<u>-</u>
Net changes in fund balance	-	-	282,968	282,968
Fund balance - beginning of year	<u>18,744</u>	<u>18,744</u>	<u>18,744</u>	<u>-</u>
Fund balance - end of year	<u>\$ 18,744</u>	<u>\$ 18,744</u>	<u>\$ 301,712</u>	<u>\$ 282,968</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 282,968	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ 282,968</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 FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**WITH RECONCILIATION TO GAAP**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Expenditures:				
Debt service:				
Principal	\$ 255,000	\$ 255,000	\$ 255,000	\$ -
Interest	<u>225,319</u>	<u>225,319</u>	<u>225,319</u>	<u>-</u>
Total expenditures	480,319	480,319	480,319	-
Excess (deficiency) of revenues over expenditures	(480,319)	(480,319)	(480,319)	-
Other Financing sources (uses):				
Transfers in	<u>480,319</u>	<u>480,319</u>	<u>480,319</u>	<u>-</u>
Net changes in fund balance	-	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

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 FUND BALANCE  
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Expenditures:				
Debt service:				
Principal	\$ 70,559	\$ 70,559	\$ 70,559	\$ -
Interest	<u>17,759</u>	<u>17,759</u>	<u>17,759</u>	<u>-</u>
Total expenditures	<u>88,318</u>	<u>88,318</u>	<u>88,318</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(88,318)	(88,318)	(88,318)	-
Other Financing sources (uses):				
Transfers in	<u>88,318</u>	<u>88,318</u>	<u>88,318</u>	<u>-</u>
Net changes in fund balance	-	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ -</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 POSITION  
OTHER ENTERPRISE FUNDS  
JUNE 30, 2015

	<u>Museum Gift Shop Fund</u>	<u>Municipal Transit Fund</u>	<u>Performing Arts Center Fund</u>	<u>Cemetery Fund</u>	<u>Total</u>
<b>ASSETS:</b>					
Current assets:					
Cash	\$ 23,452	\$ 104,327	\$ 469,139	\$ 383,660	\$ 980,578
Receivables, net	-	53,112	2,338	25,000	80,450
Total current assets	23,452	157,439	471,477	408,660	1,061,028
Capital assets, net of accumulated depreciation	-	923,030	1,329,233	1,444,495	3,696,758
Deferred outflows of resources:					
Deferred charges relating to pension	-	48,117	-	9,894	58,011
Total assets	<u>\$ 23,452</u>	<u>\$ 1,128,586</u>	<u>\$ 1,800,710</u>	<u>\$ 1,863,049</u>	<u>\$ 4,815,797</u>
<b>LIABILITIES:</b>					
Current liabilities:					
Accounts payable	\$ 918	\$ 18,445	\$ 10,320	\$ 68,781	\$ 98,464
Accrued salaries	-	18,715	-	3,365	22,080
Accrued liabilities	10	-	-	-	10
Current maturities of:					
Compensated absences	-	14,708	-	4,033	18,741
Total current liabilities	928	51,868	10,320	76,179	139,295
Noncurrent liabilities:					
Compensated absences	-	21,386	-	8,893	30,279
Net pension liability	-	461,712	-	75,435	537,147
Total liabilities	928	534,966	10,320	160,507	706,721
Deferred inflows of resources:					
Deferred inflows relating to pension	-	180,947	-	29,563	210,510
<b>NET POSITION:</b>					
Net investment in capital assets	-	923,030	1,329,233	1,444,495	3,696,758
Unrestricted	22,524	(510,357)	461,157	228,484	201,808
Total net position	<u>22,524</u>	<u>412,673</u>	<u>1,790,390</u>	<u>1,672,979</u>	<u>3,898,566</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 23,452</u>	<u>\$ 1,128,586</u>	<u>\$ 1,800,710</u>	<u>\$ 1,863,049</u>	<u>\$ 4,815,797</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 NET POSITION  
OTHER ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	<b>Museum Gift Shop Fund</b>	<b>Municipal Transit Fund</b>	<b>Performing Arts Center Fund</b>	<b>Cemetery Fund</b>	<b>Total</b>
Operating revenues:					
Charges for services	\$ 9,383	\$ 86,851	\$ 27,031	\$ 182,863	\$ 306,128
Operating expenses:					
Personnel services	-	822,072	-	155,008	977,080
Utilities	-	9,695	24,931	77,130	111,756
Contractual services	870	4,668	96,054	364,514	466,106
Repairs and maintenance	-	54,583	3,140	221	57,944
Other supplies and expenses	5,822	110,594	1,638	36,118	154,172
Depreciation and amortization	-	97,650	95,697	71,985	265,332
Total operating expenses	<u>6,692</u>	<u>1,099,262</u>	<u>221,460</u>	<u>704,976</u>	<u>2,032,390</u>
Operating income (loss)	2,691	(1,012,411)	(194,429)	(522,113)	(1,726,262)
Non-operating revenues:					
Intergovernmental	-	325,074	-	25,000	350,074
Gain on sale of assets	-	-	-	36	36
Miscellaneous	5,625	10,968	-	100	16,693
Total non-operating revenues	<u>5,625</u>	<u>336,042</u>	<u>-</u>	<u>25,136</u>	<u>366,803</u>
Income (loss) before transfers	8,316	(676,369)	(194,429)	(496,977)	(1,359,459)
Transfers:					
Transfers in	-	663,389	262,903	404,471	1,330,763
Transfers (out)	-	(20,000)	-	-	(20,000)
Total transfers	<u>-</u>	<u>643,389</u>	<u>262,903</u>	<u>404,471</u>	<u>1,310,763</u>
Change in net position	8,316	(32,980)	68,474	(92,506)	(48,696)
Net position - beginning of year	14,208	1,069,049	1,721,916	1,867,336	4,672,509
Restatements	-	(623,396)	-	(101,851)	(725,247)
Net position - beginning of the year, restated	<u>14,208</u>	<u>445,653</u>	<u>1,721,916</u>	<u>1,765,485</u>	<u>3,947,262</u>
Net position - end of year	<u>\$ 22,524</u>	<u>\$ 412,673</u>	<u>\$ 1,790,390</u>	<u>\$ 1,672,979</u>	<u>\$ 3,898,566</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, 2015**

	<b>Museum Gift Shop Fund</b>	<b>Municipal Transit Fund</b>	<b>Performing Arts Center Fund</b>	<b>Cemetery Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 9,383	\$ 66,179	\$ 24,693	\$ 182,862	\$ 283,117
Payments to suppliers and contractors	(5,765)	(171,962)	(117,951)	(506,205)	(801,883)
Payments to employees for services	-	(811,089)	-	(148,748)	(959,837)
Net cash provided by (used in) operating activities	<u>3,618</u>	<u>(916,872)</u>	<u>(93,258)</u>	<u>(472,091)</u>	<u>(1,478,603)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>					
Intergovernmental sources	-	321,879	-	-	321,879
Miscellaneous sources	-	10,968	-	100	11,068
Net transfers in	<u>5,626</u>	<u>643,389</u>	<u>262,903</u>	<u>398,845</u>	<u>1,310,763</u>
Net cash provided by non-capital and related financing activities	<u>5,626</u>	<u>976,236</u>	<u>262,903</u>	<u>398,945</u>	<u>1,643,710</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>					
Proceeds from the sale of capital assets	-	-	-	36	36
Acquisition of capital assets	-	-	(25,568)	(396,602)	(422,170)
Net cash used in capital and financing activities	<u>-</u>	<u>-</u>	<u>(25,568)</u>	<u>(396,566)</u>	<u>(422,134)</u>
Net increase (decrease) in cash	9,244	59,364	144,077	(469,712)	(257,027)
Cash and cash equivalents, beginning of year	<u>14,208</u>	<u>44,963</u>	<u>325,062</u>	<u>853,372</u>	<u>1,237,605</u>
Cash and cash equivalents, end of year	<u>\$ 23,452</u>	<u>\$ 104,327</u>	<u>\$ 469,139</u>	<u>\$ 383,660</u>	<u>\$ 980,578</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 2,691	\$ (1,012,411)	\$ (194,429)	\$ (522,113)	\$ (1,726,262)
Adjustment to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	-	97,650	95,697	71,985	265,332
Provision for uncollectible accounts	-	(148)	-	-	(148)
Change in assets and liabilities:					
Accounts receivable	-	14,058	(2,338)	25,000	36,720
Accounts payable	927	6,457	7,812	(27,102)	(11,906)
Deferred charges relating to pension	-	(48,117)	-	(9,894)	(58,011)
Accrued salaries	-	3,435	-	736	4,171
Compensated absences	-	7,548	-	5,523	13,071
Deferred inflows relating to pension	-	180,947	-	29,563	210,510
Net pension liability	-	(166,291)	-	(45,789)	(212,080)
Net cash provided by (used in) operating activities	<u>\$ 3,618</u>	<u>\$ (916,872)</u>	<u>\$ (93,258)</u>	<u>\$ (472,091)</u>	<u>\$ (1,478,603)</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 FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**WITH RECONCILIATION TO GAAP**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Operating revenues:				
Charges for services	\$ 4,830,000	\$ 4,830,000	\$ 4,959,245	\$ 129,245
Operating expenses:				
Personnel services	1,762,804	1,804,498	1,673,018	131,480
Utilities	300	300	160	140
Contractual services	192,214	195,990	143,079	52,911
Repairs and maintenance	252,000	290,241	345,043	(54,802)
Other supplies and expenses	2,020,636	2,020,636	1,575,090	445,546
Total operating expenses	<u>4,227,954</u>	<u>4,311,665</u>	<u>3,736,390</u>	<u>575,275</u>
Operating income (loss)	602,046	518,335	1,222,855	704,520
Non-operating revenues (expenses):				
Sales taxes	748,353	748,353	857,292	(108,939)
Intergovernmental	136,000	136,000	111,000	25,000
Investment income	3,000	3,000	6,690	(3,690)
Miscellaneous	-	38,241	38,308	(67)
Capital outlay	<u>(1,416,527)</u>	<u>(1,553,281)</u>	<u>(184,598)</u>	<u>1,368,683</u>
Total non-operating revenues (expenses)	<u>(529,174)</u>	<u>(627,687)</u>	<u>828,692</u>	<u>1,280,987</u>
Income before transfers	72,872	(109,352)	2,051,547	1,985,507
Transfers:				
Transfers in	311,000	348,194	37,193	(311,001)
Transfers (out)	<u>(2,208,378)</u>	<u>(2,208,378)</u>	<u>(1,897,378)</u>	<u>311,000</u>
Total transfers	<u>(1,897,378)</u>	<u>(1,860,184)</u>	<u>(1,860,185)</u>	<u>1</u>
Net change	(1,824,506)	(1,969,536)	191,362	1,985,508
Fund balance - beginning of year	<u>5,436,387</u>	<u>5,436,387</u>	<u>5,436,387</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,611,881</u>	<u>\$ 3,466,851</u>	<u>\$ 5,627,749</u>	<u>\$ 1,985,508</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 191,362	
Net revenue accruals			156,536	
Net expenditure accruals			(680,068)	
Deferred inflows			(357,306)	
Capital outlay - net of depreciation			(103,349)	
GAAP restatements			<u>1,230,986</u>	
Net changes in fund balance GAAP basis			<u>\$ 438,161</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 FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**WITH RECONCILIATION TO GAAP**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Operating revenues:				
Charges for services	\$ 15,924,246	\$ 15,999,246	\$ 17,466,169	\$ 1,466,923
Operating expenses:				
Personnel services	5,069,451	5,154,639	4,393,954	760,685
Utilities	1,056,750	1,056,750	782,386	274,364
Contractual services	329,039	389,039	218,357	170,682
Repairs and maintenance	931,098	992,564	753,678	238,886
Other supplies and expenses	1,173,987	1,192,572	843,846	348,726
Total operating expenses	<u>8,560,325</u>	<u>8,785,564</u>	<u>6,992,221</u>	<u>1,793,343</u>
Operating income	7,363,921	7,213,682	10,473,948	3,260,266
Non-operating revenues (expenses):				
Intergovernmental	4,048,330	4,048,330	3,619,352	(428,978)
Investment Income	53,500	53,500	490,393	436,893
Gain on sale of assets	1,000	1,000	3,704	2,704
Miscellaneous	8,000	11,896	210,483	198,587
Capital outlay	(41,477,978)	(41,800,828)	(22,950,975)	18,849,853
Debt service - principal	(884,794)	(884,794)	(884,794)	-
Interest expense and other charges	(751,511)	(889,908)	(889,906)	2
Total non-operating revenues (expenses)	<u>(39,003,453)</u>	<u>(39,460,804)</u>	<u>(20,401,743)</u>	<u>19,059,061</u>
Loss before other financing sources (uses)	(31,639,532)	(32,247,122)	(9,927,795)	22,319,327
Other financing sources (uses):				
Transfers in	2,758,446	2,981,598	123,152	(2,858,446)
Transfers (out)	(5,625,486)	(5,725,486)	(2,867,040)	2,858,446
Loan proceeds	17,873,280	17,873,280	14,169,458	(3,703,822)
Total other financing sources (uses)	<u>15,006,240</u>	<u>15,129,392</u>	<u>11,425,570</u>	<u>(3,703,822)</u>
Net change	(16,633,292)	(17,117,730)	1,497,775	18,615,505
Fund balance - beginning of year	<u>27,238,387</u>	<u>27,238,387</u>	<u>27,238,387</u>	<u>-</u>
Fund balance - end of year	<u>\$ 10,605,095</u>	<u>\$ 10,120,657</u>	<u>\$ 28,736,162</u>	<u>\$ 18,615,505</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 1,497,775	
Net revenue accruals			324,274	
Net expenditure accruals			71,194	
Capital outlay net of depreciation			22,114,462	
Deferred inflows - net			(676,083)	
Net debt service - principal			(18,403,511)	
GAAP restatements			<u>3,300,131</u>	
Net changes in fund balance GAAP basis			<u>\$ 8,228,242</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 FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**WITH RECONCILIATION TO GAAP**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services	\$ 5,200	\$ 5,200	\$ 9,393	\$ 4,193
Operating expenses:				
Contractual	1,000	1,000	870	130
Other supplies and expenses	7,000	7,000	4,904	2,096
Total operating expenses	<u>8,000</u>	<u>8,000</u>	<u>5,774</u>	<u>2,226</u>
Operating income (loss)	(2,800)	(2,800)	3,619	6,419
Non-operating revenues (expenses):				
Miscellaneous	1,200	1,200	5,625	4,425
Capital Outlay	-	-	-	-
Total non-operating revenues (expenses)	<u>1,200</u>	<u>1,200</u>	<u>5,625</u>	<u>4,425</u>
Income (loss) before transfers	(1,600)	(1,600)	9,244	10,844
Transfers:				
Transfers in	-	-	-	-
Net change	(1,600)	(1,600)	9,244	10,844
Fund balance - beginning of year	<u>14,208</u>	<u>14,208</u>	<u>14,208</u>	<u>-</u>
Fund balance - end of year	<u>\$ 12,608</u>	<u>\$ 12,608</u>	<u>\$ 23,452</u>	<u>\$ 10,844</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 9,244	
Net revenue accruals			-	
Net expenditure accruals			<u>(928)</u>	
Net changes in fund balance GAAP basis			<u>\$ 8,316</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 FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
WITH RECONCILIATION TO GAAP  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Operating revenues:				
Charges for services	\$ 89,500	\$ 89,500	\$ 86,613	\$ (2,887)
Operating expenses:				
Personnel services	873,366	885,276	839,944	45,332
Utilities	10,200	10,200	9,758	442
Contractual services	7,000	7,000	4,449	2,551
Repairs and maintenance	39,250	54,933	50,975	3,958
Other supplies and expenses	142,739	142,739	113,365	29,374
Total operating expenses	<u>1,072,555</u>	<u>1,100,148</u>	<u>1,018,491</u>	<u>81,657</u>
Operating income (loss)	(983,055)	(1,010,648)	(931,878)	78,770
Non-operating revenues (expenses):				
Intergovernmental	476,185	476,185	333,382	(142,803)
Miscellaneous	-	14,470	14,470	-
Capital outlay	(87,858)	(87,858)	-	87,858
Total non-operating revenues (expenses)	<u>388,327</u>	<u>402,797</u>	<u>347,852</u>	<u>(54,945)</u>
Loss before transfers	(594,728)	(607,851)	(584,026)	23,825
Transfers:				
Transfers in	652,656	663,390	663,389	(1)
Transfers (out)	(20,000)	(20,000)	(20,000)	-
Total transfers	<u>632,656</u>	<u>643,390</u>	<u>643,389</u>	<u>(1)</u>
Net change	37,928	35,539	59,363	23,824
Fund balance - beginning of year	<u>44,963</u>	<u>44,963</u>	<u>44,963</u>	<u>-</u>
Fund balance - end of year	<u>\$ 82,891</u>	<u>\$ 80,502</u>	<u>\$ 104,326</u>	<u>\$ 23,824</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 59,363	
Change in accounts receivable			(11,572)	
Change in accounts payable and accrued expenses			(9,891)	
Change in compensated absences			(7,548)	
Change in net deferred inflows - pension			(132,830)	
Capital outlay net of depreciation			(92,186)	
GAAP restatements			<u>161,684</u>	
Net changes in fund balance GAAP basis			<u>\$ (32,980)</u>	

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
PERFORMING ARTS CENTER FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
WITH RECONCILIATION TO GAAP  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Operating revenues:				
Charges for services	\$ 20,000	\$ 20,000	\$ 24,693	\$ 4,693
Operating expenses:				
Utilities	51,500	51,500	25,434	26,066
Contractual services	96,000	96,000	88,054	7,946
Repairs and maintenance	24,500	26,403	2,825	23,578
Other supplies and expenses	4,000	4,000	1,638	2,362
Total operating expenses	<u>176,000</u>	<u>177,903</u>	<u>117,951</u>	<u>59,952</u>
Operating income (loss)	(156,000)	(157,903)	(93,258)	64,645
Non-operating revenues (expenses):				
Capital outlay	<u>(311,000)</u>	<u>(311,000)</u>	<u>(25,568)</u>	<u>285,432</u>
Loss before transfers	<u>(467,000)</u>	<u>(468,903)</u>	<u>(118,826)</u>	<u>350,077</u>
Transfers:				
Transfers in	<u>261,000</u>	<u>262,903</u>	<u>262,903</u>	<u>-</u>
Net change	(206,000)	(206,000)	144,077	350,077
Fund balance - beginning of year	<u>325,061</u>	<u>325,061</u>	<u>325,061</u>	<u>-</u>
Fund balance - end of year	<u>\$ 119,061</u>	<u>\$ 119,061</u>	<u>\$ 469,138</u>	<u>\$ 350,077</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 144,077	
Change in accounts receivable			2,338	
Change in accounts payable			(7,812)	
Capital outlay net of depreciation			<u>(70,129)</u>	
Net changes in fund balance GAAP basis			<u>\$ 68,474</u>	

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

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
WITH RECONCILIATION TO GAAP  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Operating revenues:				
Charges for services	\$ 204,000	\$ 204,000	\$ 182,862	\$ (21,138)
Operating expenses:				
Personnel services	154,955	159,170	155,496	3,674
Utilities	82,000	82,000	78,004	3,996
Contractual services	368,997	404,997	360,440	44,557
Repairs and maintenance	11,600	6,128	221	5,907
Other supplies and expenses	38,200	46,900	34,608	12,292
Total operating expenses	655,752	699,195	628,769	70,426
Operating income (loss)	(451,752)	(495,195)	(445,907)	49,288
Non-operating revenues (expenses):				
Gain on sale of assets	-	-	36	36
Intergovernmental	200,000	200,000	-	(200,000)
Miscellaneous	-	-	100	100
Capital Outlay	(901,544)	(900,614)	(416,037)	484,577
Total non-operating revenues (expenses)	(701,544)	(700,614)	(415,901)	284,713
Loss before transfers	(1,153,296)	(1,195,809)	(861,808)	334,001
Transfers:				
Transfers in	350,000	392,096	392,095	(1)
Net change	(803,296)	(803,713)	(469,713)	334,000
Fund balance - beginning of year	853,372	853,372	853,372	-
Fund balance - end of year	\$ 50,076	\$ 49,659	\$ 383,659	\$ 334,000
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (469,713)	
Change in accounts receivable			25,000	
Change in accounts payable			27,102	
Change in accrued salaries			(736)	
Change in compensated absences			(5,523)	
Capital outlay net of depreciation			324,617	
Change in net deferred inflows - pension			(19,669)	
GAAP restatements			26,416	
Net changes in fund balance GAAP basis			\$ (92,506)	

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

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2015

	<b>Computer Lease Equipment Fund</b>	<b>General Insurance Fund</b>	<b>Group Health Insurance Fund</b>	<b>Disaster Preparedness Fund</b>	<b>Total</b>
<b>Assets:</b>					
Current assets:					
Cash	\$ -	\$ 2,423,356	\$ 2,367,168	\$ 641,538	\$ 5,432,062
Receivables, net	-	258	710	274,094	275,062
Total current assets	-	2,423,614	2,367,878	915,632	5,707,124
Noncurrent assets:					
Restricted cash	-	500,852	450,000	-	950,852
Total assets	<u>\$ -</u>	<u>\$ 2,924,466</u>	<u>\$ 2,817,878</u>	<u>\$ 915,632</u>	<u>\$ 6,657,976</u>
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 44,535	\$ -	\$ 327,859	\$ 372,394
Total liabilities	-	44,535	-	327,859	372,394
<b>Net position:</b>					
Unrestricted	-	2,879,931	2,817,878	587,773	6,285,582
Total liabilities and net position	<u>\$ -</u>	<u>\$ 2,924,466</u>	<u>\$ 2,817,878</u>	<u>\$ 915,632</u>	<u>\$ 6,657,976</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 POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	<b>Computer Lease Equipment Fund</b>	<b>General Insurance Fund</b>	<b>Group Health Insurance Fund</b>	<b>Disaster Preparedness Fund</b>	<b>Total</b>
Operating revenues:					
Charges for services	\$ -	\$ -	\$ 5,604,650	\$ -	\$ 5,604,650
Operating expenses:					
Contractual services	-	-	-	7,541	7,541
Insurance claims and expenses	-	1,833,233	3,900,922	-	5,734,155
Other supplies and expenses	1,523	-	-	7,119	8,642
Total operating expenses	1,523	1,833,233	3,900,922	14,660	5,750,338
Operating income (loss)	(1,523)	(1,833,233)	1,703,728	(14,660)	(145,688)
Non-operating revenues:					
Intergovernmental:					
Federal	-	-	-	861,495	861,495
State	-	-	-	141,732	141,732
Investment Income	-	1,388	2,766	-	4,154
Total non-operating revenues	-	1,388	2,766	1,003,227	1,007,381
Income (loss) before transfers	(1,523)	(1,831,845)	1,706,494	988,567	861,693
Transfers:					
Transfers in	1,169	2,020,136	-	1,005,000	3,026,305
Transfers (out)	-	-	(584,299)	(806,026)	(1,390,325)
Total transfers	1,169	2,020,136	(584,299)	198,974	1,635,980
Change in net position	(354)	188,291	1,122,195	1,187,541	2,497,673
Net position - beginning of year	354	2,691,640	1,695,683	(599,768)	3,787,909
Net position - end of year	\$ -	\$ 2,879,931	\$ 2,817,878	\$ 587,773	\$ 6,285,582

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, 2015**

	<b>Computer Lease Equipment Fund</b>	<b>General Insurance Fund</b>	<b>Group Health Insurance Fund</b>	<b>Disaster Preparedness Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Internal activity- receipt from other funds	\$ -	\$ -	\$ 5,610,300	\$ -	\$ 5,610,300
Payments to suppliers and contractors	(3,046)	(1,813,930)	(3,900,923)	(568,714)	(6,286,613)
Net cash provided by (used in) operating activities	(3,046)	(1,813,930)	1,709,377	(568,714)	(676,313)
<b>CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:</b>					
Cash received from intergovernmental sources	-	-	-	1,003,227	1,003,227
Net transfers in (out)	1,169	2,020,137	(584,300)	198,974	1,635,980
Net cash provided by (used in) non-capital and related financing activities	1,169	2,020,137	(584,300)	1,202,201	2,639,207
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income	-	1,389	2,765	-	4,154
Net increase (decrease) in cash	(1,877)	207,596	1,127,842	633,487	1,967,048
Cash and cash equivalents, beginning of year	1,877	2,716,612	1,689,326	8,051	4,415,866
Cash and cash equivalents, end of year	\$ -	\$ 2,924,208	\$ 2,817,168	\$ 641,538	\$ 6,382,914
Displayed as:					
Cash	\$ -	\$ 2,423,356	\$ 2,367,168	\$ 641,538	\$ 5,432,062
Restricted cash	-	500,852	450,000	-	950,852
	\$ -	\$ 2,924,208	\$ 2,817,168	\$ 641,538	\$ 6,382,914
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (1,523)	\$ (1,833,233)	\$ 1,703,728	\$ (14,660)	\$ (145,688)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:					
Change in assets and liabilities:					
Accounts receivable	-	28	6,245	217,576	223,849
Accounts payable	(1,523)	19,275	(596)	(482,882)	(465,726)
Due to other funds	-	-	-	(288,748)	(288,748)
Total adjustments	(1,523)	19,303	5,649	(554,054)	(530,625)
Net cash provided (used) by operating activities	\$ (3,046)	\$ (1,813,930)	\$ 1,709,377	\$ (568,714)	\$ (676,313)

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

**INTERNAL SERVICE FUNDS  
BUDGETARY COMPARISON STATEMENTS**

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
COMPUTER LEASE EQUIPMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
WITH RECONCILIATION TO GAAP  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Operating expenses:				
Other supplies and expenses	\$ 4,600	\$ 4,600	\$ 3,045	\$ 1,555
Loss before transfers	(4,600)	(4,600)	(3,045)	1,555
Transfers:				
Transfers in	4,247	4,247	1,168	(3,079)
Net change	(353)	(353)	(1,877)	(1,524)
Fund balance - beginning of year	1,877	1,877	1,877	-
Fund balance - end of year	<u>\$ 1,524</u>	<u>\$ 1,524</u>	<u>\$ -</u>	<u>\$ (1,524)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (1,877)	
Net revenue accruals			-	
Net expenditure accruals			<u>1,523</u>	
Net changes in fund balance GAAP basis			<u>\$ (354)</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 FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
WITH RECONCILIATION TO GAAP  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Operating expenses:				
Insurance claims and expenses	2,017,153	2,017,153	1,813,959	203,194
Operating income (loss)	(2,017,153)	(2,017,153)	(1,813,959)	203,194
Non-operating revenues (expenses):				
Investment income	500	500	1,419	919
Miscellaneous	-	-	138	138
Total non-operating revenues (expenses)	500	500	1,557	1,057
Loss before transfers	(2,016,653)	(2,016,653)	(1,812,402)	204,251
Transfers:				
Transfers in	2,019,999	2,019,999	2,019,999	-
Net change	3,346	3,346	207,597	204,251
Fund balance - beginning of year	2,716,612	2,716,612	2,716,612	-
Fund balance - end of year	<u>\$ 2,719,958</u>	<u>\$ 2,719,958</u>	<u>\$ 2,924,209</u>	<u>\$ 204,251</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 207,597	
Net revenue accruals			(31)	
Net expenditure accruals			(19,275)	
Net changes in fund balance GAAP basis			<u>\$ 188,291</u>	

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**GROUP HEALTH INSURANCE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**WITH RECONCILIATION TO GAAP**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Operating revenues:				
Charges for services	\$ 5,000,000	\$ 5,000,000	\$ 5,550,390	\$ 550,390
Operating expenses:				
Insurance claims and expenses	<u>5,002,000</u>	<u>5,002,000</u>	<u>3,901,158</u>	<u>1,100,842</u>
Operating income (loss)	(2,000)	(2,000)	1,649,232	1,651,232
Non-operating revenues (expenses):				
Investment income	2,000	2,000	2,524	524
Miscellaneous	<u>-</u>	<u>-</u>	<u>60,386</u>	<u>60,386</u>
Total non-operating revenues (expenses)	<u>2,000</u>	<u>2,000</u>	<u>62,910</u>	<u>60,910</u>
Income before transfers	-	-	1,712,142	1,712,142
Transfers:				
Transfers out	<u>-</u>	<u>(584,395)</u>	<u>(584,299)</u>	<u>96</u>
Net change	-	(584,395)	1,127,843	1,712,238
Fund balance - beginning of year	<u>1,689,326</u>	<u>1,689,326</u>	<u>1,689,326</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,689,326</u>	<u>\$ 1,104,931</u>	<u>\$ 2,817,169</u>	<u>\$ 1,712,238</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 1,127,843	
Net revenue accruals			(6,245)	
Net expenditure accruals			<u>597</u>	
Net changes in fund balance GAAP basis			<u>\$ 1,122,195</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 FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**WITH RECONCILIATION TO GAAP**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Operating expenses:				
Contractual services	\$ 540,431	\$ 565,864	\$ 499,267	\$ 66,597
Other supplies and expenses	-	11,994	7,119	4,875
Total operating expenses	<u>540,431</u>	<u>577,858</u>	<u>506,386</u>	<u>71,472</u>
Operating income (loss)	(540,431)	(577,858)	(506,386)	71,472
Non-operating revenues (expenses):				
Intergovernmental	1,316,875	1,316,875	729,133	(587,742)
Miscellaneous	466,237	491,670	491,669	(1)
Capital outlay	<u>(433,786)</u>	<u>(1,497,747)</u>	<u>(804,383)</u>	<u>693,364</u>
Total non-operating revenues	<u>1,349,326</u>	<u>310,798</u>	<u>416,419</u>	<u>105,621</u>
Income before transfers	808,895	(267,060)	(89,967)	177,093
Transfers:				
Transfers in	-	1,005,000	1,005,000	-
Transfers (out)	<u>-</u>	<u>(288,748)</u>	<u>(288,747)</u>	<u>1</u>
Total transfers	-	716,252	716,253	1
Net change	808,895	449,192	626,286	177,094
Fund balance - beginning of year	<u>8,051</u>	<u>8,051</u>	<u>8,051</u>	<u>-</u>
Fund balance - end of year	<u>\$ 816,946</u>	<u>\$ 457,243</u>	<u>\$ 634,337</u>	<u>\$ 177,094</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 626,286	
Net revenue accruals			(217,575)	
Net expenditure accruals			<u>778,830</u>	
Net changes in fund balance GAAP basis			<u>\$ 1,187,541</u>	

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015

	<b>Balance 6/30/2014</b>	<b>Increases / Receipts</b>	<b>Decreases / Disbursements</b>	<b>Balance 6/30/2015</b>
<b>Municipal Court Bond Trust Fund:</b>				
Assets				
Cash	\$ 18,587	\$ 121,240	\$ 116,636	\$ 23,191
Liabilities:				
Deposits held for others	\$ 18,587	\$ 121,240	\$ 116,636	\$ 23,191

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



**OTHER SUPPLEMENTAL FINANCIAL INFORMATION**

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**SCHEDULE OF CASH ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<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	\$ 2,130,844	\$ 236,325	\$ 2,367,169
Payroll Fund	Checking	604,818	(588,943)	15,875
Debt Service Fund	Checking	1,991,337	2,703,510	4,694,847
Municipal Court	Checking	32,547	(32,547)	-
CDBG Account	Checking	37,999	-	37,999
Lodgers' Tax	Certificate of Deposit	30,001	(1)	30,000
General Operating	Certificate of Deposit	200,090	(90)	200,000
Health Insurance	Certificate of Deposit	200,000	-	200,000
Worker's Compensation	Certificate of Deposit	50,000	-	50,000
Sandpoint Closure Reserve	Certificate of Deposit	250,000	-	250,000
Water & Sewer	Certificate of Deposit	300,254	(254)	300,000
General Operating	Certificate of Deposit	300,229	(229)	300,000
Water & Sewer	Certificate of Deposit	500,000	-	500,000
General Operating	Certificate of Deposit	250,260	(260)	250,000
Health Insurance	Certificate of Deposit	250,188	(188)	250,000
Sandpoint Closure Reserve	Certificate of Deposit	500,282	(282)	500,000
		<u>\$ 7,628,849</u>	<u>\$ 2,317,041</u>	<u>\$ 9,945,890</u>

<u>Financial Institution / Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Pioneer Savings Bank P.O. Box 130 Roswell, New Mexico 88202-0130				
General Operating	Certificate of Deposit	\$ 100,426	\$ -	\$ 100,426
Worker's Compensation	Certificate of Deposit	100,426	-	100,426
General Operating	Certificate of Deposit	200,852	-	200,852
General Operating	Certificate of Deposit	401,704	-	401,704
General Operating	Certificate of Deposit	100,426	-	100,426
Worker's Compensation	Certificate of Deposit	100,426	-	100,426
Sandpoint Closure Reserve	Certificate of Deposit	200,852	-	200,852
Sandpoint Closure Reserve	Certificate of Deposit	946,600	-	946,600
General Operating	Certificate of Deposit	100,426	-	100,426
Water & Sewer	Certificate of Deposit	200,852	-	200,852
General Operating	Certificate of Deposit	337,987	-	337,987
		<u>\$ 2,790,977</u>	<u>\$ -</u>	<u>\$ 2,790,977</u>

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**SCHEDULE OF CASH ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<u>Financial Institution / Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Wells Fargo Bank, N.A. Carlsbad Office 115W.Fox Street Carlsbad, New Mexico 88221				
General Fund	Checking	\$ 75,058,414	\$ (11,047,310)	\$ 64,011,104
Investment Fund	Money Market	462,507	-	462,507
City Fund Investment	Money Market	984,522	-	984,522
Permanent Water Sewer	Certificate of Deposit	157,735	-	157,735
Permanent Water Sewer	Certificate of Deposit	200,000	-	200,000
Worker's Compensation	Certificate of Deposit	250,000	-	250,000
General Operating	Certificate of Deposit	300,000	-	300,000
Permanent Water & Sewer	Certificate of Deposit	100,000	-	100,000
Water & Sewer	Certificate of Deposit	100,000	-	100,000
		<u>\$ 77,613,178</u>	<u>\$ (11,047,310)</u>	<u>\$ 66,565,868</u>

<u>Financial Institution / Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Western Commerce Bank P.O. Drawer 1358 Carlsbad, New Mexico 88221-1358				
Construction Account	Checking	\$ 3,587,159	\$ 6,671,234	\$ 10,258,393
Federal Projects	Checking	734,705	11,235	745,940
Sandpoint Closure Reserve	Certificate of Deposit	165,262	-	165,262
Sandpoint Closure Reserve	Certificate of Deposit	142,115	-	142,115
Water & Sewer	Certificate of Deposit	253,768	-	253,768
General Operating	Certificate of Deposit	322,926	-	322,926
General Operating	Certificate of Deposit	323,540	-	323,540
General Operating	Certificate of Deposit	273,791	-	273,791
Sandpoint Closure Reserve	Certificate of Deposit	109,538	-	109,538
98 Water & Sewer Bond	Certificate of Deposit	502,706	-	502,706
98 Water & Sewer Bond	Certificate of Deposit	300,000	-	300,000
98 Water & Sewer Bond	Certificate of Deposit	500,000	-	500,000
		<u>\$ 7,215,510</u>	<u>\$ 6,682,469</u>	<u>\$ 13,897,979</u>

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**SCHEDULE OF PLEDGED COLLATERAL - ALL FINANCIAL INSTITUTIONS**  
**JUNE 30, 2015**

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

<u>Security Description</u>	<u>CUSIP Number</u>	<u>Maturity Date</u>	<u>Current Market Value</u>
FNMA POOL AL 1536	3138EHV66	01/1/36	\$ 1,449,659
FN99AR 1B4985	3128JQNBO	09/01/40	761,150
FN99AR AS0083	31418MCV2	09/01/35	639,589
FNCN AB4254	31417AWQ8	01/01/22	831,304
FN99AR 8898820	31410KUF9	10/01/35	1,987,483
FNMA POOL AI3469	3138AG2B3	07/01/41	546,401
			<u>\$ 6,215,586</u>

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

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

<u>Security Description</u>	<u>CUSIP Number</u>	<u>Maturity Date</u>	<u>Current Market Value</u>
FNMA 1 YR CMT 780385	31404V6W3	06/01/34	169,716
FNMA 1 YR CMT 759453	31403VWN5	01/01/34	118,151
FNMA 1 YR CMT 648558	31390KQK7	06/01/32	130,405
FNMA 1 YR CMT 781721	31349S4E0	07/01/34	77,236
GNMA II 080418	36225CPC4	06/20/30	84,698
GNMA II 08540	36225CS64	09/20/31	42,585
GNMA II 0808562	36225CTU0	12/20/31	27,620
FNMA ARM 661745	31391BES2	09/01/32	30,632
GNMA 080477	36225CQ74	12/20/30	11,141
FNMA AJ1622	3138ASYU0	10/1/26	618,043
			<u>\$ 1,310,227</u>

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**SCHEDULE OF PLEDGED COLLATERAL - ALL FINANCIAL INSTITUTIONS**  
**JUNE 30, 2015**

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

<u>Security Description</u>	<u>CUSIP Number</u>	<u>Maturity Date</u>	<u>Current Market Value</u>
FN AJ7749	3138EOTF6	12/01/41	\$ 620,570
FN AK8209	3138EDDP3	04/01/42	1,430,969
FN AP2132	3138M5LN7	08/01/42	1,202,773
FN AP4559	3138M8B51	10/10/42	1,532,415
FN AR1196	3138NXKJ5	01/01/43	450,240
FN AU1636	3138X0ZA9	07/01/43	30,066,487
FN 745577	31403DJW0	06/01/36	25,219
FN AB9149	31417GEX0	04/01/43	8,552,662
FN AE0216	31419AG27	08/01/40	2,247,829
			<u>\$ 46,129,164</u>

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

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

<u>Security Description</u>	<u>CUSIP Number</u>	<u>Maturity Date</u>	<u>Current Market Value</u>
GNMA 004511	36202FAL0	08/20/39	\$ 548,400
FNMA AA5840	31417QKE3	10/01/39	497,978
FNMA AC4792	31417QKE3	10/01/39	1,820,249
FHLMC G08534	3128MJSY7	06/01/43	1,054,155
FHLMC J22899	31307BGG9	03/01/28	1,116,381
SBA SERIES 2005-20 A CLASS	83162CPG2	01/01/25	253,434
GNMA 782156	36241KMD7	05/20/37	134,001
FNMA 807223	31406DYU4	01/01/35	140,407
GNMA 8608	36202KR56	03/20/25	95,011
FNMA 709279	31401H6Q0	06/01/33	65,950
FNMA 253823	31371J4G6	04/01/31	42,727
GNMA 8233	36202KEE1	06/20/17	13,059
GNMA 8595	36202KRQ0	02/20/25	32,549
GNMA 80299	36225CKM7	07/20/29	28,990
GNMA 412570	36206JJP0	03/15/26	18,496
GNMA 8228	36202KD93	07/20/23	21,572
GNMA 8280	36202KFBV2	09/20/23	20,657
FNMA 195638	31368PHP3	04/01/22	12,411
GNMA 80200	36225CGJ9	05/20/28	13,594
FNMA 62689 "B"	31362JUN3	06/01/28	11,263
GNMA 80185 "B"	36225CF35	04/20/28	9,081
			<u>\$ 5,950,365</u>

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

**CITY OF CARLSBAD**  
Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)  
For the Year Ended June 30, 2015

RFB # / RFP #	Type of Procurement	Awarded Vendor	Amount of Awarded Contract	Amount of Amended Contract	Name and Physical Address per the Procurement Documentation, of ALL Vendor(s) that Responded	In-State / Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor in-state and chose Veteran's Preference (Y or N) for Federal Funds Answer N/A	Brief Description of the Scope of Work
2014-44	Request for Bid	International Road Dynamics	\$ 101,268.00	\$ -	Directelematics 601 Cross Timbers Rd Suite 118-711 Flower Mound, TX 75028	Out-State	N/A	GPS Vehicle Tracking System
					Fleetmatics 31500 Bainbridge Rd Ste 1 Solon, OH 44139	Out-State	N/A	
					International Road Dynamics 702-43rd Street East Saskatchewan, Canada S7K 3T9	Out-State	N/A	
2014-45	Request for Bid	HDR Engineering Inc.	123,261.86	-	HDR Engineering Inc. 2155 Louisiana Blvd., NE Ste. 9500 Albuquerque, NM 87110-5483	In-State	N	Sanitary Sewer Interceptor 118 Upgrade
					Larkin Group NM, Inc. 8500 Menaul Blvd., NE Ste. A-440 Albuquerque, NM 87112	In-State	N	
					Molzen Corbin 2701 Miles Road SE Albuquerque, NM 87106	In-State	N	
					Parkhill, Smith, Cooper 115 W. Griggs Ave. Las Cruces, NM 88001	In-State	N	
					Souder, Miller Associates 500 N. Main Street, Ste. 504 Roswell, NM 88201	In-State	N	
2014-46	Request for Bid	Molzen Corbin	111,993.00	-	Larkin Group NM, Inc. 8500 Menaul Blvd., NE Ste. A-440 Albuquerque, NM 87112	In-State	N	PER and Final Design for Ligon Street
					Molzen Corbin 2701 Miles Road SE Albuquerque, NM 87106	In-State	N	
					Souder, Miller Associates	In-State	N	

**CITY OF CARLSBAD**  
Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)  
For the Year Ended June 30, 2015

RFB # / RFP #	Type of Procurement	Awarded Vendor	Amount of Awarded Contract	Amount of Amended Contract	Name and Physical Address per the Procurement Documentation, of ALL Vendor(s) that Responded	In-State / Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor in-state and chose Veteran's Preference (Y or N) for Federal Funds Answer N/A	Brief Description of the Scope of Work
					500 N. Main Street, Ste. 504 Roswell, NM 88201			
2014-47	Request for Bid	Parkhill, Smith, Cooper	411,394.00	-	Molzen Corbin 2701 Miles Road SE Albuquerque, NM 87106	In-State	N	Double Eagle Well Improvements Project
					Parkhill, Smith, Cooper 115 W. Griggs Ave. Las Cruces, NM 88001	In-State	N	
					Souder, Miller Associates 500 N. Main Street, Ste. 504 Roswell, NM 88201	In-State	N	
2014-49	Request for Bid	Speir Construction (Lot A&B) Allen Roofing (Lot C)	248,560.00 13,419.00	249,299.69 8,419.00	Allen Roofing Company Inc. P. O. Box 2733 Roswell, NM 88202-2733	In-State	N	Roof Replacements (Bid Lot A, B and C) Lot A - Public Works Garage Building Lot B - Bumper Car Pavilion
					CD General Contractors 1730 West Picacho Avenue E Las Cruces, NM 88005	In-State	N	Lot C - Beach Caretakers House
					Speir Construction P. O. Box 482 Artesia, NM 88211-0482	In-State	N	
2014-50	Request for Bid	Constructors Inc.	1,756,857.76	1,748,720.14	Constructors Inc. 3003 Boyd Dr. Carlsbad, NM 88220	In-State	N	San Jose Blvd. Road Improvements Phase 3
2014-51	Request for Bid	HDR Engineering Inc.	403,932.77	408,600.93	Bohannon Huston 425 S. Telshor Blvd., Ste. C-103 Las Cruces, NM 88011-8237	In-State	N	Carlsbad Wastewater Effluent Refuse
					HDR Engineering Inc. 2155 Louisiana Blvd., NE Ste. 9500	In-State	N	

**CITY OF CARLSBAD**  
Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)  
For the Year Ended June 30, 2015

RFB # / RFP #	Type of Procurement	Awarded Vendor	Amount of Awarded Contract	Amount of Amended Contract	Name and Physical Address per the Procurement Documentation, of ALL Vendor(s) that Responded	In-State / Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor in-state and chose Veteran's Preference (Y or N) for Federal Funds Answer N/A	Brief Description of the Scope of Work
					Albuquerque, NM 87110-5483 Molzen Corbin 2701 Miles Road SE Albuquerque, NM 87106	In-State	N	
2014-53	Request for Bid	B & D Industries, Inc.	84,800.00	101,817.11	B&D Industries 9720 Bell Ave., SE Albuquerque, NM 87123  PerryCo Electric 2408 Holland Lane Carlsbad, NM 88220	In-State  In-State	N  N	Maintenance Building Electrical Service
2014-54	Request for Bid	Molzen Corbin	Pending	-	HDR Engineering Inc. 2155 Louisiana Blvd., NE Ste. 9500 Albuquerque, NM 87110-5483  Molzen Corbin 2701 Miles Road SE Albuquerque, NM 87106  OCCAM Consulting Engineers 200 East Fourth St. Ste. 100 Roswell, NM 88201  Parkhill, Smith, Cooper 115 W. Griggs Ave. Las Cruces, NM 88001  URS Corporation 6501 Americans Parkway NE, Ste. 900 Albuquerque, NM 87110	In-State  In-State  In-State  In-State	N  N  N  N	Double Eagle Waterline Phase III - Design
2014-55	Request for Bid	Molzen Corbin	148,185.00	-	Molzen Corbin 2701 Miles Road SE Albuquerque, NM 87106	In-State	N	Callaway Drive Final Design



**CITY OF CARLSBAD**  
Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)  
For the Year Ended June 30, 2015

RFB # / RFP #	Type of Procurement	Awarded Vendor	Amount of Awarded Contract	Amount of Amended Contract	Name and Physical Address per the Procurement Documentation, of ALL Vendor(s) that Responded	In-State / Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor in-state and chose Veteran's Preference (Y or N) for Federal Funds Answer N/A	Brief Description of the Scope of Work
					OCCAM Consulting Engineers 200 East Fourth St. Ste. 100 Roswell, NM 88201	In-State	N	
					PAIKI 2901 Juan Tabo NE, Ste. 101 Albuquerque, NM 87112	In-State	N	
2014-57	Request for Bid	Rodgers and Company	1,229,225.00	-	Hydro Resources-Rocky Mt. Inc. 13027 County Road 18 Fort Lupton, CO 80621	Out-State	N/A	Double Eagle Monitor/Production Wells - Phase A
					Rodgers and Company 2615 Isleta Blvd SW Albuquerque, NM 87105	In-State	N	
					Stewart Bros. Drilling 306 Airport Road Milan, NM 87021	In-State	N	
					Yellow Jacket Drilling P. O. Box 801 Gilbert, AZ 85299	Out-State	N/A	
2014-59	Request for Bid	CD General Contractors	382,129.40	-	CD General Contractors 1730 West Picacho Avenue E Las Cruces, NM 88005	In-State	N	Roof/HVAC System for Cavern City Air Terminal
					Enoch Mechanical Inc. 790 West Palms Las Cruces, NM 88007	In-State	N	
					Vantage Engineering & Construction 2402 Urton Rd Roswell, NM 88201	In-State	N	
					WWRC, Inc. 1716 W. 17th Street Clovis, NM 88101	In-State	N	

**CITY OF CARLSBAD**  
Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)  
For the Year Ended June 30, 2015

RFB # / RFP #	Type of Procurement	Awarded Vendor	Amount of Awarded Contract	Amount of Amended Contract	Name and Physical Address per the Procurement Documentation, of ALL Vendor(s) that Responded	In-State / Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor in-state and chose Veteran's Preference (Y or N) for Federal Funds Answer N/A	Brief Description of the Scope of Work
2014-60	Request for Bid	CD General Contractors Inc.	664,800.00	705,300.49	Anissa Construction Inc. 1232 Western Meadows Rd NW Albuquerque, NM 87114	In-State	N	Phase I Renovations - Carlsbad Municipal Annex
					CD General Contractors 1730 West Picacho Avenue E Las Cruces, NM 88005	In-State	N	
					Greer Construction Co. Inc. 2415 W. Texas Street Carlsbad, NM 88220	In-State	N	
					Lasco Construction Inc. 314 West Marland Street Hobbs, NM 88240	In-State	N	
					National Construction 701 East Washington Avenue Madison, WI 53703	Out-State	N/A	
					Vantage Engineering & Construction 2402 Urton Rd Roswell, NM 88201	In-State	N	
2015-01	Request for Bid	Cook Construction & Maintenance	24,250.00	-	Cook Construction & Maintenance 1001 E. Fiesta Drive Carlsbad, NM 88220	In-State	N	Erection of the Double Eagle shop building
					CMX Services P.O. Box 3209 Carlsbad, NM 88221	In-State	N	
					Pecos Valley Construction P.O. Box 3187 Carlsbad, NM 88221	In-State	N	
2015-02	Request for Bid	Lynco Electric	148,324.00	-	B&D Industries 9720 Bell Ave., SE Albuquerque, NM 87123	In-State	N	San Jose Plaza lighting project
					Omega Contractors	In-State	N	

**CITY OF CARLSBAD**  
Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)  
For the Year Ended June 30, 2015

RFB # / RFP #	Type of Procurement	Awarded Vendor	Amount of Awarded Contract	Amount of Amended Contract	Name and Physical Address per the Procurement Documentation, of ALL Vendor(s) that Responded	In-State / Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor in-state and chose Veteran's Preference (Y or N) for Federal Funds Answer N/A	Brief Description of the Scope of Work
					P.O. Box 1690 Peralta, NM 87042			
					Lynco Electric 1520 W. Amador Ave. Las Cruces, NM 88005	In-State	N	
					PerryCo Electric 2408 Holland Lane Carlsbad, NM 88220	In-State	N	
2015-03	Request for Bid	Abraham's Construction	662,720.00	789,460.00	Abraham's Construction 7707 Broadway Blvd SE Albuquerque, NM 87105	In-State	N	San Jose Blvd - Dark Canyon Repair construction for the repairs to low water crossing, that occurred during 2014 flood
					Constructors Inc. 3003 Boyd Dr. Carlsbad, NM 88220	In-State	N	
					Hasse Construction 3327 Tower Rd SW Albuquerque, NM 87121	In-State	N	
2015-04	Request for Bid	Orlando M. Garza	30,000.00	-	Orlando M. Garza 1117 N. Canal Street Carlsbad, NM 88220	In-State	N	Maintenance and Management of Will Merchant Softball Complex
2015-05	Request for Bid	AMEC Foster Wheeler	68,631.58 to date (No PO; services vary)	-	AMEC Foster Wheeler Environment & Infrastructure Inc. 310 N. Canal Street Carlsbad, NM 88220	In-State	N	Construction Observation Services
					Stoller Newport Nuclear 400-2 Cascades Ave, Suite 202 Carlsbad, NM 88220	In-State	N	
2015-06	Request for Bid	Complete Facilities Supply	44,141.19	-	Complete Facilities Supply 8801 Virginia Meadows Dr.	Out-State	N/A	Stainless Steel Restroom Fixtures

**CITY OF CARLSBAD**  
Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)  
For the Year Ended June 30, 2015

RFB # / RFP #	Type of Procurement	Awarded Vendor	Amount of Awarded Contract	Amount of Amended Contract	Name and Physical Address per the Procurement Documentation, of ALL Vendor(s) that Responded	In-State / Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor in-state and chose Veteran's Preference (Y or N) for Federal Funds Answer N/A	Brief Description of the Scope of Work
					Manassas, VA 20109			
2015-07	Request for Bid	Rosenbauer Minnesota	219,369.00	-	Rosenbauer Minnesota P. O. Box 549 Wyoming, MN 55092	Out-State	N/A	Aircraft Rescue Firefighting Vehicle
					Siddons-Martin 4214 2nd St NW Albuquerque, NM 87107	In-State	N	
2015-08	Request for Bid	Abraham's Construction	420,145.00	485,895.00	Abraham's Construction 7707 Broadway Blvd SE Albuquerque, NM 87105	In-State	N	Convenience Station Improvements
					Constructors Inc. 3003 Boyd Dr. Carlsbad, NM 88220	In-State	N	
2015-10	Request for Bid	Ramirez & Son Inc.	172,115.40	-	Constructors Inc. 3003 Boyd Dr. Carlsbad, NM 88220	In-State	N	N. Canal Street Resurfacing
					Ramirez and Son Inc. 1220 54th Drive Lovington, NM 88260	In-State	N	
					Renegade Construction 200 Crawford Blvd Las Cruces, NM 88007	In-State	N	
2015-11	Request for Bid	Layne Christensen Co.	1,187,277.00	-	KD Huey Company P. O. Box 488 Capital, NM 88316	In-State	N	Sheeps Draw Well #6 Phase I (Re-Bid)
					Layne Christensen Co. 2703 S. County Road 1207 Midland, TX 79706	Out-State	N/A	
					Yellow Jacket Drilling P. O. Box 801 Gilbert, AZ 85299	Out-State	N/A	

**CITY OF CARLSBAD**  
 Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)  
 For the Year Ended June 30, 2015

RFB # / RFP #	Type of Procurement	Awarded Vendor	Amount of Awarded Contract	Amount of Amended Contract	Name and Physical Address per the Procurement Documentation, of ALL Vendor(s) that Responded	In-State / Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor in-state and chose Veteran's Preference (Y or N) for Federal Funds Answer N/A	Brief Description of the Scope of Work
2015-13	Request for Bid	Burn Construction	338,069.00	363,213.00	Burns Construction 311 Southgate Ct Las Cruces, NM 88005	In-State	Y	Effluent Reuse Transfer Pump Station Improvement
					Smithco Construction 6 King Canyon Loop Caballo, NM 87931	In-State	N	
2015-28	Request for Bid	Garden Mart Inc.	30,100.00	-	CM Services 57 Apache Drive Carlsbad, NM 88220	In-State	Y	Cemetery Maintenance and Grave Digging Services
					Garden Mart Inc. 400 Hamilton Street Carlsbad, NM 88220	In-State	N	
					Orlando Garza 1703 Trevino Ct Carlsbad, NM 88220	In-State	N	



201 E. Main, Suite 500  
El Paso, Texas 79901  
Tel. (915) 532-2901  
Fax (915) 532-0807  
www.cpa-sp.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of the City of Carlsbad, New Mexico (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual funds and related budgetary comparisons of the City, presented as supplemental information, and have issued our report thereon dated February 5, 2016.

***Internal Control over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-006, 2014-001, 2015-001, & 2015-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2014-004 and 2014-009 to be a significant deficiencies.

### ***Compliance and Other Matters***

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

### ***The City's Responses to Findings***

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

### ***Purpose of this Report***

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

*STRICKLER & PRIETO, LLP*

El Paso, Texas  
February 5, 2016

## **COMPLIANCE SECTION**





201 E. Main, Suite 500  
El Paso, Texas 79901  
Tel. (915) 532-2901  
Fax (915) 532-0807  
www.cpa-sp.com

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

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

### ***Report on Compliance for Each Major Federal Program***

We have audited the City of Carlsbad, New Mexico's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### *Other Matters*

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

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

### *Report on Internal Control over Compliance*

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

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

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

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

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

*Strickler & Parizo, LLP*

El Paso, Texas  
February 5, 2016

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA No.</u>	<u>Contract/Grant Project/State Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development EDI - Special Project	14.251	B-09-SP-NM-0096	\$ 190,000	\$ 190,000
U.S. Department of Justice Bullet Proof Vest Partnership	16.607	2013BUBX13069686	4,779	4,450
Edward Byrne Memorial Justice Assistance Grant	16.738	2014-H3941-NM-DJ	8,459	<u>6,542</u>
Total U.S. Department of Justice				<u>10,992</u>
U.S. Department of Transportation/ Federal Aviation Administration Airport Improvement Program	20.106	CNM-1303	296,343	79,284
U.S. Department of Transportation/Passed Through NM Department of Transportation				
Safe Routes to School	20.205	W200040	250,000	53,901
Safe Routes to School	20.205	W200041	50,000	2,925
Safe Routes to School	20.205	M01331	47,676	14,802
Formula Grants for Rural Areas	20.509	M01278	325,952	80,704
Formula Grants for Rural Areas	20.509	M01354	402,853	234,620
Job Access Reverse Commute	20.509	M01278	42,271	6,223
100 Days & Nights of Summer	20.600	14-PT-DS-013	4,928	3,940
100 Days & Nights of Summer	20.600	15-PT-DS-013	6,906	114
Distracted Driving	20.600	15-DD-02-013	7,972	4,221
Minimum Penalties for Repeat Offenders DWI	20.608	14-AL-64-013	17,600	6,486
Minimum Penalties for Repeat Offenders DWI	20.608	15-AL-64-013	17,734	<u>6,280</u>
Total U.S. Department of transportation/ Passed through NM Department of Transportation				<u>414,216</u>
Total U.S Department of Transportation				493,500
Corporation for National and Community Service Retired and Senior Volunteer Program	94.002	11SRWNM011	120,606	36,907
U.S. Department of Homeland Security and Emergency Management				
Disaster Grants - Public Assistance	97.036	FEMA-4152-DR-NM	654,307	654,307
Disaster Grants - Public Assistance	97.036	FEMA-4199-DR-NM	358,186	<u>205,602</u>
Total U.S. Department of Homeland Security and Emergency Management				<u>859,909</u>
Total expenditures of federal awards				<u>\$ 1,591,308</u>

**STATE OF NEW MEXICO  
CITY OF CARLSBAD**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

**1. BASIS OF PRESENTATION**

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

**2. BASIS OF ACCOUNTING**

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

**3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Federal expenditures on the schedule of expenditures of federal awards amount to \$1,591,308. The amounts of expenditures within the funds are reflected within the financial statements as follows:

General Fund	
Intergovernmental Federal	\$ 17,231
Special Revenue Funds	
Airport Fund	79,284
RSVP Fund	36,907
Capital Project Funds	
CIEP Fund	71,628
Federal Projects Fund	190,000
Proprietary Funds	
Disaster Preparedness Fund	859,909
Municipal Transit Fund	<u>336,349</u>
Total expenditures of federal awards	<u>\$ 1,591,308</u>

**4. NON-CASH ASSISTANCE**

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

**5. INSURANCE REQUIREMENTS**

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

**6. LOANS OR LOAN GUARANTEES**

There were loans of \$16,078,391 related to the federal awards disclosed on the Schedule of Expenditures of Federal Awards outstanding at year end. The loan is described in Note 8 of the City's financial statements. There were no loan guarantees outstanding at year end.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

**7. DISASTER GRANTS**

Non-federal entities are required to record expenditures on the Schedule of Expenditures of Federal Awards when: (1) the Federal Emergency Management Agency (FEMA) has approved the non-Federal entity's project worksheet, and (2) the non-Federal entity has incurred eligible expenditures. Federal awards expended in years subsequent to the fiscal year in which the project worksheet is approved are to be recorded on the non-Federal entity's Schedule of Expenditures of Federal Awards in those subsequent years.

The amount of eligible FEMA expenditures incurred in fiscal year 2014 but reported in fiscal year 2015 amounted to \$189,948 at June 30, 2015.

**8. SUB-RECIPIENTS**

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

**STATE OF NEW MEXICO  
CITY OF CARLSBAD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**A. SUMMARY OF AUDIT RESULTS**

**Financial Statements**

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

**Federal Awards**

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.509	Formula Grants for Rural Areas
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**2008-006 Submission of Audit Report (Repeated) - Material Weakness**

**Condition**

The audit report for the fiscal year ended June 30, 2015, was due to the New Mexico State Auditor's office by December 15, 2015. The audit report was delivered on February 8, 2016 to the New Mexico State Auditor's office. Management made no progress on the implementation of the prior year corrective action plan regarding the timely filing of the audit report.

**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 15th following the end of each fiscal year at June 30<sup>th</sup>.

**Effect**

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

**Cause**

The audit was delayed due to a shortage in personnel at the City as a result of the departure of the Internal Auditor, among other key employees. The City required more time to record all the required GAAP entries and to compile capital asset information.

**Recommendation**

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

**Views of Responsible Officials and Planned Corrective Actions**

In order to meet the December 15th audit submission deadline, the trial balance with adjusting entries must be submitted to the auditors by October 1st. This entails balancing all assets and liabilities. A major component is recording all accounts payable, which was not completed until October 30th. In addition, the Internal Auditor resigned effective June 30, 2015. The attempt to replace the position with a qualified candidate was unsuccessful. The City did engage outside assistance to help facilitate the conversion, but not until September, thus losing valuable time. This delayed the submission of the trial balance to the auditors until November 25th.

An Accounts Payable Manager position was created and filled in December 2015. This position is responsible for ensuring timely payment of invoices, including reconciling vendor statements to ensure receipt of all invoices due. This position will also review outstanding purchase orders to determine if an invoice should exist. Vendors will be contacted by June 30, 2016, to request the submission of invoices by July 31, 2016, to the Finance Department for work performed through June 30th, resulting in payment by August 31, 2016. The Project Accountant will assist the Accounts Payable Manager in pursuing submission of invoices from vendors for capital projects. This will allow the reconciliation of accounts payable by September 15, 2016.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

Over fifty percent of the Finance Department employees have been hired or have been promoted to new positions in the last year. The required training has been a challenge to the efficiency of the department. City administration plans to perform an independent assessment of the structure and workload of the Finance Department in an effort to balance the increased workload due to the City's recent growth.

In the meantime, the Internal Auditor position was reclassified to an Accountant position. This position was filled in December 2015. The Accountant will be responsible for the daily posting of receipts and disbursements. Due to the Accountants experience in the various segments of the Finance Department, the Accountant will be able to assist newer employees with training and inquiries. This will make more time available for the Finance Director and Assistant Treasurer to focus on other aspects of their job, including their responsibility of preparing for the annual audit.

Utilization of report writing software is still planned to implement the design of the financial statement compilation in order for the City to compile the financial statements internally. The goal is to shorten the time between the completion of the audit fieldwork and the submission of the audit to the State Auditor's Office. The design of the financial statements program should be completed by Director of Finance by June 30, 2016.

**2014-001 Controls over Financial Reporting (Repeated) - Material Weakness**

**Condition**

The City's financial structure has grown larger and more complex over the past few years; consequently, the Finance Department is responsible for a much larger number of accounts with a corresponding increase in the volume of transactions and reporting requirements. The organizational structure of the accounting department has not been revised to accommodate the increased complexity and reporting requirements of the City. As a result, the City's monthly and yearly closing process is unable to produce financial statements needed by management and the auditors in a timely manner. The corrective action plan from the prior year was not implemented as the cut-off date designated for accounts payable of August 31st was not met.

**Criteria**

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

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

**Effect**

Periodic financial statements reviewed by management and the City Council may be materially inaccurate. In addition, internally generated financial information does not provide management or City Council with reliable data to make financial decisions or monitor the results of individual programs.

**Cause**

At its current staffing levels, the Finance Department is not adequately equipped to meet monthly and annual reporting deadlines.



**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**Recommendation**

An assessment of the Finance Department's staffing needs should be conducted and a plan formulated to increase capacity through hiring or reorganizing current responsibilities. In addition, the year-end closing will proceed more quickly and smoothly by developing a logical order for closing procedures and assigning responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished.

**Views of Responsible Officials and Planned Corrective Actions**

Over fifty percent of the Finance Department employees have been hired or have been promoted to new positions in the last year. The required training has been a challenge to the efficiency of the department. City administration plans to perform an independent assessment of the structure and workload of the Finance Department in an effort to balance the increased workload due to the City's recent growth.

In the meantime, the Internal Auditor position was reclassified to an Accountant position and was filled in December 2015. The Accountant will primarily be responsible for the daily posting of receipts and disbursements. The Finance Director and Assistant Treasurer will complete the training of the Accountant by March 31, 2016. The monthly financial statements and quarterly reports to the Department of Finance and Administration will be current as of February 5, 2016. The goal of producing the monthly financials by the 15th of each month should be attained by the Finance Director by April 30, 2016.

**2015-001 Timely Bank Reconciliation Procedures - Material Weakness**

**Condition**

Bank statements in some instances were accumulated for several months before they were reconciled to the appropriate general ledger controls.

**Criteria**

Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements and reduces the risk that misappropriation of cash assets could be concealed.

**Effect**

Due to the lack of timely bank reconciliations, errors or irregularities may accumulate in the accounting system causing the financial reporting process to become increasingly more difficult.

**Cause**

The demands on accounting and finance employees' time are numerous and conflicting. The expansion of City operations and reporting requirements has created a burden for current personnel to complete their responsibilities in a timely manner.

**Recommendation**

All bank accounts should be reconciled on a monthly basis as of the date of the bank statement to promote accuracy and completeness in the monthly financial reporting process.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Views of Responsible Officials and Planned Corrective Actions**

Due to the high turnover in staff during the fiscal year, large amounts of training in the areas of utility billing, cash receipts, purchasing, and accounts payable were performed by the Finance Director and the Assistant Treasurer. This caused delays in daily postings to the general ledger. In order to reconcile the bank statements, all activity (receipts and disbursements) must be posted to the general ledger. A lack of timely posting caused delayed bank reconciliations and monthly financial statement preparations.

The internal auditor position was reclassified to an accountant position and was filled in December 2015. The Accountant will be primarily responsible for the postings of receipts and disbursements. The Finance Director and Assistant Treasurer will complete the training of the Accountant by March 31, 2016. The monthly financial statements and quarterly reports will be current as of February 5, 2016. All bank statements through December 31, 2015, were reconciled as of February 3, 2016.

**2015-002 Fixed Asset Certification - Material Weakness**

**Condition**

Capital asset testwork revealed the City did not perform a capital asset inventory for the fiscal year ended June 30, 2015.

**Criteria**

The New Mexico Administrative Code 2.20.1.16A & E requires the City to conduct a physical inventory of its fixed assets and present the results in a written to the City Council for certification on an annual basis.

**Effect**

The City's asset listing was not reviewed for the fiscal year ended June 30, 2015 which may result in the unauthorized use or loss of City assets. In addition, an accurate, up-to-date listing of capital assets is essential for City planning.

**Cause**

Due to staffing issues, the City was unable to perform an inventory of its capital asset and present a report to the City Council.

**Recommendation**

The City should take a physical inventory of its fixed assets on an annual basis to meet State requirements and to ensure that only active, in-service capital assets are included on the City's financial statements. An assessment of the Finance Department's staffing needs should be conducted and a plan formulated to increase capacity through hiring or reorganizing current responsibilities.

**Views of Responsible Officials and Planned Corrective Actions**

The Fixed Asset Coordinator was unable to perform the annual capital asset inventory for the fiscal year ended June 30, 2015. The high turnover in staff for the year created shortages in the cash receipting office, in which the Fixed Asset Coordinator substituted to alleviate the staff shortage. The staff shortage has been resolved.

The Fixed Asset Coordinator performed a limited audit of fixed assets for two departments in January, 2016. These limited audits will continue each month. The year-end physical audit will be completed by August 31, 2016, and submitted to Council for certification by the Finance Director in September 2016.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2014-004 Schedule of Expenditures of Federal Awards (Repeated) - Significant Deficiency**

**Funding Agency: U.S. Department of Homeland Security**

**Title: Disaster Grants - Public Assistance (Presidentially Declared Disasters)**

**CFDA Number: 97.036**

**Condition**

The City's process for identifying and reporting federal expenditures erroneously identified and included ineligible expenditures on the fiscal year 2015 Schedule of Federal Awards (SEFA). \$178,014 of ineligible costs were initially included on the current year SEFA prior to correction by the Finance Department. Slow progress was made implementing the prior year corrective action plan as the new position of Project Accountant was not filled until August 2015 and the position of internal auditor was vacated at year end.

**Criteria**

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

**Effect**

Federal award expenditures reported on the SEFA may not be accurate, or may related to another accounting period.

**Cause**

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

**Recommendation**

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

**Views of Responsible Officials and Planned Corrective Actions**

Information on Federal grants is provided to the Finance Department by other departments. City administration has realized that adequate accounting and controls for federal grants is necessary for accurate and timely financial statements, federal reports, and the Schedule of Expenditures of Federal Awards. As many federal grants are related to projects, a new Projects Team was implemented in early January 2015. A Project Accountant was hired in August, 2015, to embed in this team.

One of the objectives of this team is to develop a project timeline and method to track expenditures and reimbursements. Project ledgers have been developed tracking expenditures as well as reimbursements. Meetings are held one to two times a month to discuss the progress of each project. However, since the list of projects is quite large, a meeting will be held each month for the Project Team and the Finance Department to review projects that are specific to grants. Project ledgers will be reconciled to the financial general ledger. Consultants that assist with grant reporting will be requested to attend these meetings periodically. The first meeting is scheduled for the 3rd Thursday of February, 2016.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

The finance department had requested all departments to turn in a reconciliation of all money spent and received for each grant to assist in the audit. In preparation for subsequent years' audits, the Finance Director will work with each department to compile this information to ensure the information is complete and accurate. This should be addressed by July 31, 2016 for the fiscal year ending June 30, 2016.

**2014-007 Lack of Internal Controls over Federal Awards (Repeated) - Findings that do not rise to the level of a significant deficiency**

**Funding Agency: U.S. Department of Homeland Security**

**Title: Disaster Grants - Public Assistance (Presidentially Declared Disasters)**

**CFDA Number: 97.036**

**Condition**

During our testwork over federal awards identified as major programs, we noted that one individual was responsible for preparing all reimbursement requests and reports for one of the grants selected in our testwork. We encountered significant difficulty in reconciling amounts reported in the general ledger to the project worksheets certified by the Federal Emergency Management Agency (FEMA). The prior year corrective action plan was not fully implemented throughout the year. See management's response concerning the current status of the corrective action plan.

**Criteria**

For large projects, the City must report to FEMA all eligible costs for each approved project. The City must certify that reported costs were incurred in the performance of eligible work, that the approved work was completed, that the project is in compliance, and that payments for the project have been made in accordance with 44 CFR section 13.21 requirements for payment.

**Effect**

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

**Cause**

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

**Recommendation**

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

**Views of Responsible Officials and Planned Corrective Actions**

When a grant reimbursement is to be requested, the employee requesting the reimbursement is to complete either a Monthly Reimbursement Request Cover Sheet (MRRCS) or an Invoicing Transmittal Sheet (ITS) and submit to the Finance Department with the appropriate supporting documentation. The MRRCS requires the City Administrator's approval and the ITS requires the Department's Director's approval. The Director of Finance had requested several times that the Reimbursement Request require review and approval by the Finance Department prior to the reimbursement request being submitted to the granting agency. The MRRCS was modified by the Project Engineer prior to June 30, 2015, to include the Director of Finance's approval.

The Project Accountant is responsible for ensuring that the Director of Finance has approved the reimbursement request prior to submission to the granting agency. In addition, the monthly grant meeting will be an opportune time to review reimbursement requests.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**2014-009 Grant Management (Repeated) - Significant Deficiency**

**Funding Agency: U.S. Department of Homeland Security**

**Title: Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**CFDA Number: 97.036**

**Condition**

In accordance with the OMB's Basic Guidelines, all Federal grant expenditures must be reported on the City's Single Audit Report in the year the expenditure occurs. During our testwork, we noted that the City erroneously reported \$189,948 of fiscal year 2014 FEMA expenses on the 2015 SEFA. Expenditures were excluded from the fiscal year 2014 SEFA because the grant expenditures were not reported on a timely basis to the City's Finance Department, which is responsible for the preparation of the City's Schedule of Expenditures of Federal Awards. The corrective action plan from the prior year was not fully implemented as the Project Administrator retired and the Director of Finance failed to receive copies of the grant awards during the transition period.

**Criteria**

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

**Effect**

Expenditures were excluded from the 2014 SEFA, which caused the prior year SEFA to be understated and the current year SEFA to be overstated.

**Cause**

Prior to the implementation of the Projects Team in January 2015, there was a lack of communication between the Project Administrator and the Finance Department to ensure various grants and reimbursements are completed and submitted on a timely basis.

**Recommendation**

We recommend that the Project Administrator provide monthly or at least quarterly updates to the City Administrator and the Director of Finance as to the status of various projects and the projected reimbursement dates. We also recommend that the Project Administrator work closely with the Finance Department to ensure all expenses are paid timely, and all reimbursement requests are submitted timely.

**Views of Responsible Officials and Planned Corrective Actions**

The expenses in question resulted from a flood in September 2013. The grants were not awarded by FEMA until June 30, 2014. The Project Administrator who had been in contact with FEMA and was responsible for this project retired shortly before this time. During the transition, the Director of Finance failed to receive copies of the grant awards, and did not report the expenditures on the Schedule of Federal Expenditures and Awards. This issue was resolved, as the grant documents were provided to the Finance Department during the current audit.

In addition, the Project Accountant is responsible for providing copies of all grants to the Finance Director. The issue of new grants will be addressed at the monthly grant meetings between the Finance Department and the Projects Team; which are scheduled to start the 3rd Thursday in February, 2016.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**D. STATUS OF PRIOR YEAR FINDINGS**

2008-006 Submission of Audit Report	Repeat
2012-004 Other - Deficit Ending Cash Balances for Budget	Resolved
2014-001 Controls over Financial Reporting	Repeat
2014-002 Prior Period Adjustments	Resolved
2014-003 Accounts Payable Cutoff	Resolved
2014-004 Schedule of Expenditures of Federal Awards	Repeat
2014-005 Timely Deposits	Resolved
2014-006 Late Payment of Invoices	Resolved
2014-007 Lack of Internal Controls over Federal Awards	Repeat
2014-008 Unallowable Costs and Activities	Resolved
2014-009 Grant Management	Repeat
2014-010 Grant Reporting	Resolved

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2015

An exit conference was conducted on February 5, 2016 at the City's offices with the following individuals in attendance:

**City of Carlsbad**

Steve V. McCutcheon  
Monica Harris  
Stephanie Shumsky  
Janell Whitlock  
Wesley Carter  
Richard W. Doss  
Edward Rodriguez  
LaVelta Jenkins

City Administrator  
Director of Finance/Treasurer  
Deputy City Administrator  
City Councilor  
City Councilor  
City Councilor  
City Councilor  
Assistant Director of Finance

**Strickler & Prieto, LLP**

Phillip Strickler  
Brad Voge

Audit Partner  
Senior Manager

**Financial Statement Preparation**

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