

**STATE OF NEW MEXICO
CITY OF CARLSBAD**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2008

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CITY OF CARLSBAD
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STATE OF NEW MEXICO
CITY OF CARLSBAD
DIRECTORY OF OFFICIALS
JUNE 30, 2008

ELECTED OFFICIALS

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

DEPARTMENT HEADS

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlsbad, New Mexico (City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise, and internal service funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to 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, 2008, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison statement for the general fund, for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise and internal service funds of the City, as of June 30, 2008, and the respective changes in financial position and cash flows where applicable, thereof, and the budgetary comparison statements for the state legislative and National Cave-Karst Institute funds, the major enterprise funds and all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008, on our consideration of the City of Carlsbad's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters.

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

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

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

Fierro + Fierro, P.A.

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

December 5, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

The following is an overview of the financial condition for the City of Carlsbad, New Mexico (City), for the fiscal year ended June 30, 2008. This narrative highlights the major aspects of the City's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

Financial Highlights

- The City assets exceeded liabilities by \$93,732,579 at June 30, 2008. Approximately 20% of the City's net assets may be used to meet the City's ongoing obligations to citizens and creditors. During the current year, the City increased its net assets by \$9,152,684.
- Unrestricted cash and investments at June 30, 2008, totaled \$20,862,752. Current liabilities, including the current portion of long-term liabilities at June 30, 2008, amounted to \$7,429,282.
- During the fiscal year, the City governmental activities expended \$7,262,065 for capital assets. The business-type activities increased their capital assets by \$1,624,424.
- Investment in capital assets for the City total \$81,468,664, net of accumulated depreciation at June 30, 2008. These capital assets included land, construction in process, buildings, improvements, infrastructure, utility system, airport infrastructure and equipment.
- Long-term debt for the City at the end of the year was \$23,791,729. During the year, the City reduced its debt by \$1,588,163.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Government-Wide Financial Statements (continued)

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: governmental, proprietary, and fiduciary funds.

Governmental Funds

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

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

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

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Proprietary Funds

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

Enterprise Funds

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

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

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the City on a cost-reimbursement basis. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service funds are consolidated in the governmental column when presented in the government-wide financial statements. Additionally, the City uses internal service funds to account for the City's computer lease equipment, the City's general insurance, and the City's group health insurance.

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

Notes to the Financial Statements

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

Other Information

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Government-Wide Financial Analysis

The City has restated the net assets and associated assets and liabilities as of June 30, 2008. Note 12 provides detail as to the restatements. The condensed financial information for the fiscal year ended June 30, 2007, presented below, and has not been changed to reflect the restatement of net assets.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$93,752,579 at the close of the most recent fiscal year. Eighty percent of the City's net assets are composed of investment in capital assets (e.g., land, buildings, machinery, and equipment) less any debt, used to acquire those assets, that is still outstanding. The City uses these assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Assets
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	06/30/08	06/30/07	06/30/08	06/30/07	06/30/08	06/30/07
Assets:						
Current and other assets	\$ 25,253	\$ 20,619	\$ 16,258	\$ 15,851	\$ 41,511	\$ 36,470
Capital assets, net of accumulated depreciation	45,661	41,421	35,807	36,167	81,468	77,588
Total assets	70,914	62,040	52,065	52,018	122,979	114,058
Liabilities:						
Current liabilities	5,004	3,620	2,425	4,594	7,429	8,214
Long-term liabilities	6,008	6,862	15,809	14,161	21,817	21,023
Total liabilities	11,012	10,482	18,234	18,755	29,246	29,237
Net Assets:						
Invested in capital assets, net of related debt	39,704	34,826	35,459	21,112	75,163	55,938
Restricted	-	950	-	-	-	950
Unrestricted	20,198	15,782	(1,628)	12,151	18,570	27,933
Total net assets	\$ 59,902	\$ 51,558	\$ 33,831	\$ 33,263	\$ 93,733	\$ 84,821

The remaining balance of unrestricted net assets \$18,569,598 may be used to meet the government's ongoing obligations to citizens and creditors. The City increased its net assets by \$9,152,684 during the fiscal year. At the end of the current fiscal year, the City is able to report positive balances in the two categories of net assets.

At June 30, 2007, unrestricted cash and investments totaled \$26,873,410. At the end of the current year, unrestricted cash and investments totaled \$20,862,752; a decrease of \$6,010,658. There were many funds that reflected increases and decreases in cash and investments. The largest increase occurred in the general fund where cash and investments increased by \$1,186,652.

STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Government-Wide Financial Analysis (continued)

At June 30, 2007, receivables for the City equaled \$5,407,395. At June 30, 2008, the receivables totaled \$7,783,243. The net increase in the receivables was \$2,375,848. The majority of the increase is attributed to intergovernmental receivables. The majority of the intergovernmental receivables will be collected shortly after year-end and no allowance for doubtful receipts has been recorded for those types of receivables.

Current and other assets within the governmental activities increased from \$20,619,094 in 2007 to \$25,252,770 in 2008, an increase of \$4,633,676. The reasons for the increase are as follows: taxes receivable increased by \$880,253, intergovernmental receivables increased by \$1,980,268, and interfund balances decreased by \$1,570,064. The increase in tax receivables is due mainly to increased gross receipts taxes while the increase in intergovernmental receivables is due mainly to federal and state grants that had not been received at year end. These changes account for ninety-six percent of the increase to the governmental activities current assets.

Current and other assets within the business-type activities increased from \$15,850,696 in 2007 to \$16,257,846 in 2008, an increase of \$407,150. In comparing the two years, there was an increase in cash in the amount of \$322,513, which is seventy-nine percent of the increase in the business-type activities current and other assets.

Government-wide current liabilities that consist of accounts payable, accrued salaries, accrued liabilities, accrued interest payable, deferred revenues, and deposits payable at June 30, 2008, equaled \$5,454,972. At June 30, 2007, the City reported an amount equal to \$3,857,184. The current liabilities increased by \$1,597,788. The largest increase occurred in accounts payable. The increase from 2007 was \$532,303.

At June 30, 2007, the long-term debt, including the current portion equaled \$25,379,892. The liabilities were decreased by \$1,588,163 during the current fiscal year. This is due primarily to annual debt payments.

The government-wide net assets at June 30, 2007, totaled \$84,821,216. Those net assets were restated and decreased by \$241,321. The governmental net assets were increased by \$69,751, while the business-type assets were decreased by \$311,072. The governmental net assets changes were composed of the following: capital assets were overstated by \$339,468; accounts receivables were understated by \$300,333; intergovernmental receivables were understated by \$20,577; interest payable and interest revenue were overstated by \$39,159 and \$35,698 respectively; and compensated absences were understated by \$163,166.

The business-type assets changes were composed of the following: capital assets were overstated by \$292,848; customer deposits payable were overstated by \$1,350; and compensated absences were overstated by \$16,874.

A condensed comparative statement of activities is as follows:

STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Government-Wide Financial Analysis (continued)

Condensed Statement of Activities
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	06/30/08	06/30/07	06/30/08	06/30/07	06/30/08	06/30/07
Revenues:						
Program revenues:						
Charges for services	\$ 1,806	\$ 1,359	\$ 11,160	\$ 10,656	\$ 12,966	\$ 12,015
Operating grants and contributions	2,411	792	538	281	2,949	1,073
Capital grants and contributions	7,520	8,410	64	466	7,584	8,876
General revenues:						
Local effort taxes	3,390	2,164	-	-	3,390	2,164
State shared taxes	21,047	18,898	686	486	21,733	19,384
Investment income	217	321	548	598	765	919
Miscellaneous	-	5,185	-	-	-	5,185
Donations	30	-	3	-	33	-
Gain (loss) on disposal of assets	43	(30)	2	(15)	45	(45)
Total revenues	36,464	37,099	13,001	12,472	49,465	49,571
Expenses:						
General government	4,677	8,938	-	-	4,677	8,938
Public safety	12,853	15,013	-	-	12,853	15,013
Public works	5,493	6,213	-	-	5,493	6,213
Culture and recreation	4,496	4,546	-	-	4,496	4,546
Health and welfare	360	701	-	-	360	701
Economic development	1,875	1,255	-	-	1,875	1,255
Water	-	-	3,194	-	3,194	-
Solid waste	-	-	2,505	3,499	2,505	3,499
Wastewater	-	-	2,793	-	2,793	-
Joint water and sewer	-	-	-	6,448	-	6,448
Museum	-	-	9	8	9	8
Municipal transit	-	-	570	563	570	563
Performing arts centre	-	-	224	214	224	214
Cemetery	-	-	306	231	306	231
Interest on long-term debt	236	178	721	-	957	178
Total expenses	29,990	36,844	10,322	10,963	40,312	47,807
Transfers, net	1,800	2,596	(1,800)	(2,596)	-	-
Increase (decrease) in net assets	\$ 8,274	\$ 2,851	\$ 879	\$ (1,087)	\$ 9,153	\$ 1,764

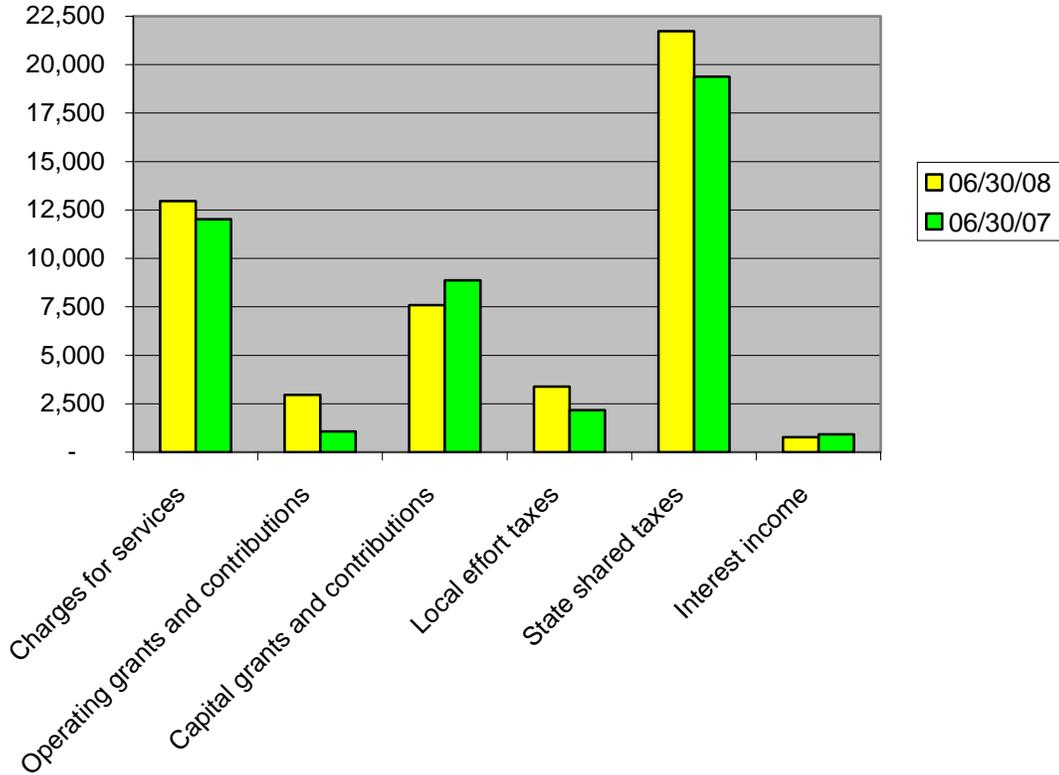
**STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Government-Wide Financial Analysis (continued)

Comparison of Revenues - By Function

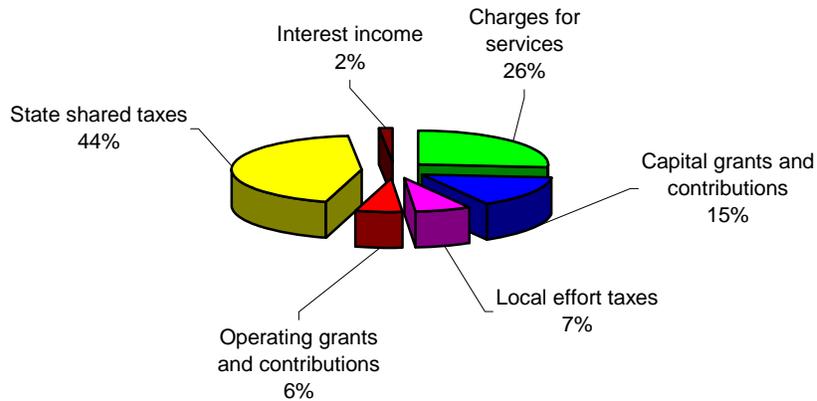
All Activities

(In Thousands)



Total Revenues By Activity

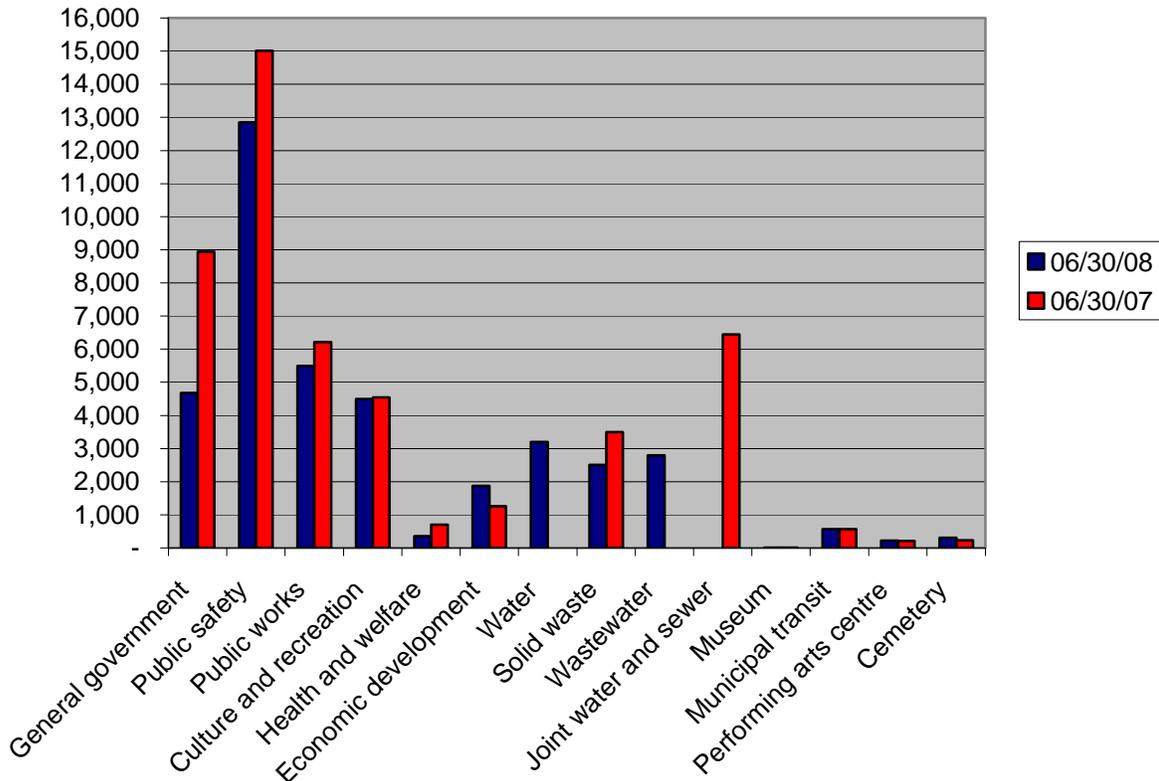
June 30, 2008



**STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Government-Wide Financial Analysis (continued)

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



The statement of activities from 2008 shows revenue decreases in governmental activities and revenue increases in business-type activities when compared to the 2007 fiscal year. Specifically, governmental activities program and general revenues decreased by \$634,609, and business-type activities program and general revenues increased by \$528,444. The largest increase in the governmental activities occurred within local effort and state shared taxes of \$3,375,534, an increase of sixteen percent. However, the largest decrease occurred within capital grants and contributions of \$890,282; a decrease of eleven percent. There were numerous other increases and decreases that resulted in the net decrease in governmental activity revenues of two percent. The largest increase in the business-type activities program and general revenues was within charges for services. This was due to an annual rate increase, specifically 3.1 percent effective October 1, 2007.

In the current year, governmental activities expenses totaled \$29,990,371. The previous year, governmental activities expenses were equal to \$36,844,343. The decrease in current year expenses amounted to \$6,853,972.

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CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Government-Wide Financial Analysis (continued)

The largest decrease in governmental activities expenses occurred within the City's general government. For 2007, the City's general government expenses totaled \$8,937,820, and decreased by \$4,260,517 for a total of \$4,677,303. A forty-eight percent decrease for general government expenses. This decrease reflects a reduction of expenditures on grant funded construction projects.

Expenses for public safety decreased from \$15,013,412 in 2007 to \$12,853,588 in 2008, which is a fourteen percent decrease. This is attributed to decrease in salaries and benefits as several positions were not filled in the fire and police departments.

For 2008, the City reflected an increase in governmental activities net assets of \$8,273,893. In the prior year, the increase was \$2,851,085. The difference between the years is \$5,422,808.

The business-type activities reflect an increase in net assets of \$878,791 for the current fiscal year. In the previous year, the decrease amounted to \$1,086,560; that is a one hundred eighty percent increase. Business-type program revenues for the current year amounted to \$11,763,117. That amount is an increase of \$359,992 when compared to the previous fiscal year.

During the current year, the City had capital grants within the business-type assets that totaled \$64,493. In the previous year, the City reported capital grants equal to \$466,414. During the current year, the City reviewed income from Eddy County for solid waste, and reclassified the grants from capital to operating.

For the previous year, the business-type activities reported expenses as \$10,962,702. For the current year, the City reports expenses as \$10,322,349, a decrease of \$640,353.

Financial Analysis of the City's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$17,504,408. Approximately ninety-seven percent of this total or \$17,062,495 constitutes undesignated, unreserved fund balances, which are available for spending at the City's discretion. The remainder of fund balance, \$441,913 is reserved for subsequent year's spending. It is not available for new spending because it has already been committed to next year's budget. The general fund balance of \$12,445,038 represents seventy-one percent of the total governmental fund balances. The City's major funds' (general, state legislative and National Cave-Karst Institute) fund balance increased by \$524,603 during the current fiscal year. While the nonmajor funds increased their fund balances by \$1,907,716.

General fund revenues totaled \$26,031,139 for the fiscal year, while expenditures were \$23,179,498. Revenues exceeded expenditures by \$2,851,641 prior to transfers in and out of the general fund.

STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Financial Analysis of the City's Funds (continued)

During the year, the general fund received \$3,241,144 from other City funds while it transferred \$5,465,052. The net transfer out of \$2,223,908 decreased the excess revenues over expenditures resulting in a net increase of fund balance of \$627,733. Comparing this to the change in net assets of 2007 in the amount of \$3,341,130, we see the City increased transfers out from the general fund of approximately three and a half million dollars for infrastructure improvements.

Proprietary Funds

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

The solid waste fund reflects a net increase in net assets in the amount of \$232,878. Comparing this to the decrease in net assets of \$453,487 in 2007, we see an increase of \$686,365 from 2007 to 2008. Total revenues (both operating and non-operating) for 2007 were \$4,480,865 compared to 2008 revenues of \$4,349,791. The major factor contributing to the change between the net income and loss between the two years was in the operating expenses that decreased \$981,005. This has been attributed to Eddy County taking over the operations of the Sandpoint landfill, whereas management was previously contracted to a third party.

The joint water and sewer fund reflects an increase in net assets of \$277,941 for 2008. This compares to the decrease in net assets of \$791,005 in 2007. In 2008, operating expenses were up \$285,303. Charges for services increased \$614,099 due to higher usage and a 3.1% increase effective October 1, 2007. In addition, net transfers out decreased by \$721,207. This fund has been under distress for a few years and we believe this year's performance is evidence that the fund has turned around, and should reflect a better net income in future years.

General Fund Budgetary Highlights

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

During the current fiscal year, the City budgeted general fund revenues at \$23,006,407. The actual revenues for the fiscal year were \$25,415,373, a surplus of \$2,408,966. Local effort taxes and shared taxes were over budget by \$103,904 and \$1,996,257, respectively. This is because of the increases in the GRT for the year. Licenses and permits were below the budgeted amount by \$26,346. This is because the building permits issued during the year decreased due to unavailability of local contractors. Intergovernmental revenues were over the budgeted amount by \$196,947. The only category we were under was in fines and forfeitures, where we budgeted \$354,500, but only received \$292,305, for a deficit of \$62,195. This is due to less money received through the Municipal Court due to persons working fines off through community service.

Charges for services were over the budgeted amount by \$97,981. This was mostly from a \$84,042 surplus over budget in ambulance service fees. Miscellaneous revenues were over the budgeted amount by \$55,594.

STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

General Fund Budgetary Highlights (continued)

Non-taxable miscellaneous revenue was over the budgeted amount by \$18,390. Rents and royalties were over the budgeted amount by \$19,130. Sales of fixed assets and real property were over the budgeted amount by \$12,212. These are attributable to the area's strong economy in this fiscal year. Interest income was over the budgeted amount by \$46,824 due to interest rates and the amount of funds kept in the higher yield investment accounts. Increases in the original budget were made due to additional income received during the fiscal year, allowing the City to increase the budgeted expenditures.

For the year ended June 30, 2008, the City anticipated that expenditures would exceed revenues and net transfers in by \$4,302,497. Actual revenues of \$25,415,373 exceeded expenditures of \$22,875,580 and net transfers out of \$2,222,453, producing an excess of revenues over expenditures of \$317,370. General government expenditures showed to be under budget by \$254,610. The major portion of that was an under budget in operating expenses. Public safety expenditures showed to be under budget by \$1,266,976. This was reflected mostly in salaries and benefits for the police and fire departments, which were under budget by \$591,800 and \$595,847, respectively. This was due to some unfilled positions. Public works expenditures showed to be under budget by \$289,807. Most of that was from being under budget in salaries and benefits by \$249,529, which was due to positions that went unfilled for a portion of the year.

Culture and recreation expenditures showed to be under budget by \$124,646. Most of that was from being under budget in salaries and benefits by \$104,422, due to unfilled positions during the year.

Health and welfare expenditures prove to be under budget by \$4,174. This is split partially between salaries and benefits and operating expenditures, both within acceptable variances.

Economic development expenditures showed to be under budget by \$31,944. Most of that was from being under budget in salaries and benefits by \$16,096, due to unfilled positions during the year.

Capital outlay expenditures showed to be under budget by \$241,136. This is reflected in the street department where FEMA equipment was not fully purchased by June 30th. Due to cost increases for construction projects, the awarded grant required expenditures that were felt to be better utilized for alternate purposes. It was determined that repair of foundation and roofing failures were more immediate needs than fire suppression sprinklers, utilizing the money better elsewhere in the department.

During the fiscal year, the City increased anticipated revenues by \$1,263,521. The City increased anticipated expenditures by \$3,102,157 for the fiscal year. The main reason for the increase in the final budgeted revenues from the original budgeted revenues was additional state grants of \$1,013,576 and federal grants of \$242,967. During the year, the City increased its budgeted expenditures by \$1,000,000 for associated grant expenditures; \$800,000 for salaries; \$250,000 for FEMA capital outlay, with the remainder to general operating expenditures.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Capital Assets and Debt Administration

Capital Assets

At June 30, 2007, the City originally reported capital assets as \$77,588,502; \$41,420,848 as governmental activities capital assets and \$36,167,654 as business-type capital assets. The City has restated the governmental activities capital assets by decreasing the assets by \$339,468 and the business-type activities capital assets by decreasing the assets by \$292,848. During the audit process, the City discovered a \$500,000 misstatement in a previous year's audit report.

The City's investment in capital assets for the government as of June 30, 2008 amounts to \$81,468,664 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, utility systems, and machinery and equipment.

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

- **Governmental Activities** – During the fiscal year, the City expended \$7,262,065 for capital assets. Ninety-one percent of the expenditures were for buildings and infrastructure.
- **Business-Type Activities** – During the fiscal year, the City increased their capital assets by \$1,624,424 for capital assets. Seventy percent of those expenditures were for utility system and other improvements.

Capital Assets - Net of Accumulated Depreciation
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	06/30/08	06/30/07	06/30/08	06/30/07	06/30/08	06/30/07
Land	\$ 1,918	\$ 1,915	\$ 1,113	\$ 1,113	\$ 3,031	\$ 3,028
Construction in progress	24	-	36	-	60	-
Buildings	24,831	22,827	1,593	1,433	26,424	24,260
Improvements	35	32	10,390	10,050	10,425	10,082
Infrastructure	15,723	12,914	-	-	15,723	12,914
Utility system	-	-	20,550	20,815	20,550	20,815
Equipment	3,130	3,393	2,125	2,464	5,255	5,857
Total capital assets	\$ 45,661	\$ 41,081	\$ 35,807	\$ 35,875	\$ 81,468	\$ 76,956

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

Long-Term Debt

At the end of the current year, the City had total debt outstanding of \$23,791,729, which consists of notes, bonds, compensated absences, and landfill post-closure liability. The bonds payable are secured by pledged gross receipts tax or operating revenues.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Capital Assets and Debt Administration (continued)

Long-Term Debt (continued)

The state of New Mexico Constitution provides for a legal limit of four percent (4.0%) of taxable valuation for general obligation bonds. The City's taxable value of property in 2007 was \$283,502,934. The City may currently issue up to \$11,340,117 in general obligation bonds. At the present time, the City does not have any general obligation bonds.

	Long-Term Debt (In Thousands)					
	Governmental Activities		Business-type Activities		Total	
	06/30/08	06/30/07	06/30/08	06/30/07	06/30/08	06/30/07
Notes payable	\$ 3,147	\$ 3,555	\$ 348	\$ 400	\$ 3,495	\$ 3,955
Bonds payable	2,810	3,040	13,705	14,655	16,515	17,695
Landfill post closure	-	-	2,762	2,526	2,762	2,526
Compensated absences	913	905	106	119	1,019	1,024
Total long-term debt	<u>\$ 6,870</u>	<u>\$ 7,500</u>	<u>\$ 16,921</u>	<u>\$ 17,700</u>	<u>\$ 23,791</u>	<u>\$ 25,200</u>

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

Currently Known Facts, Decisions, or Conditions

Gross receipts, within the City, continue to increase thereby increasing gross receipt taxes for use by the City. For FY 2007-2008, gross receipts taxes were up 15% from FY 2006-2007. For the first six months of FY 2008-2009, they are up an additional 23% from FY 2007-2008. This increase has allowed the City to pursue infrastructure projects that were badly needed to accommodate this type of growth. In 2007-2008, the council approved the seventh increment of municipal gross receipts tax and the citizen's voted for all four increments (.25%) in the municipal capital outlay gross receipts tax that will be used for infrastructure projects in FY 2008-2009 and beyond. Utility funds continue to struggle with the Solid Waste Fund still being the weakest because of rising fuel and equipment costs but no rate increase in charges for services since July 2006. Several projects will be continuing in the new budget year and planning will begin for several more infrastructure projects to begin construction in 2008-2009. We are currently pursuing the refunding and issuance of Revenue Bonds for the Water and Sewer Fund to fund much needed infrastructure improvements. We are also attempting to issue approximately \$19 million for additional infrastructure improvements to be paid from the recently approved .25% increase in gross receipts taxes. Despite the current deterioration of the nation's economy, the City of Carlsbad continues to prosper and will continue to strive to meet the needs for quality of life for the citizens of Carlsbad.

Request for Information

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 15,899,193	\$ 4,963,559	\$ 20,862,752
Receivables, net of allowance for doubtful accounts:			
Accounts	441,217	1,081,493	1,522,710
Taxes	4,002,540	83,084	4,085,624
Intergovernmental	2,064,484	-	2,064,484
Interest	58,591	51,834	110,425
Inventory	-	267,631	267,631
Restricted cash	1,200,000	2,840,304	4,040,304
Restricted investments	1,586,745	6,615,127	8,201,872
Capital assets:			
Land and construction in progress	1,942,592	1,149,336	3,091,928
Other capital assets, net of depreciation	43,718,804	34,657,932	78,376,736
Unamortized bond discount	-	354,814	354,814
Total assets	<u>70,914,166</u>	<u>52,065,114</u>	<u>122,979,280</u>
LIABILITIES			
Accounts payable	1,691,336	236,324	1,927,660
Accrued salaries	731,491	162,929	894,420
Accrued liabilities	-	46,142	46,142
Accrued interest payable	69,027	55,046	124,073
Deferred revenues	1,650,000	-	1,650,000
Deposits payable	-	812,677	812,677
Long-term liabilities:			
Due within one year	862,696	1,111,813	1,974,509
Due in more than one year	6,007,875	15,809,345	21,817,220
Total liabilities	<u>11,012,425</u>	<u>18,234,276</u>	<u>29,246,701</u>
NET ASSETS			
Invested in capital assets, net of related debt	39,704,132	35,458,849	75,162,981
Unrestricted	20,197,609	(1,628,011)	18,569,598
Total net assets	<u>\$ 59,901,741</u>	<u>\$ 33,830,838</u>	<u>\$ 93,732,579</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, 2008**

Functions/Programs	Expenses	Program Revenues			Primary Government Net (Expenses) Revenues and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities		Total
Primary Government:								
Governmental activities:								
General government	\$ 4,677,303	\$ 510,928	\$ 4,357	\$ -	\$ (4,162,018)		\$ (4,162,018)	
Public safety	12,853,588	977,332	1,316,531	157,896	(10,401,829)		(10,401,829)	
Public works	5,492,606	241	62,031	4,125,027	(1,305,307)		(1,305,307)	
Culture and recreation	4,495,732	317,140	735,448	1,553,987	(1,889,157)		(1,889,157)	
Health and welfare	359,760	-	217,916	682,679	540,835		540,835	
Economic development	1,875,453	-	75,000	1,000,000	(800,453)		(800,453)	
Interest on long-term debt	235,929	-	-	-	(235,929)		(235,929)	
Total governmental activities	29,990,371	1,805,641	2,411,283	7,519,589	(18,253,858)		(18,253,858)	
Business-type activities:								
Water	3,194,179	5,158,770	-	-	\$ 1,964,591		1,964,591	
Solid waste	2,505,413	3,440,811	202,673	-	1,138,071		1,138,071	
Wastewater	2,793,153	2,348,318	-	-	(444,835)		(444,835)	
Museum	8,910	9,294	-	-	384		384	
Municipal transit	569,603	54,843	335,763	64,493	(114,504)		(114,504)	
Performing arts centre	223,978	-	-	-	(223,978)		(223,978)	
Cemetery	305,806	148,152	-	-	(157,654)		(157,654)	
Interest on long-term debt	721,307	-	-	-	(721,307)		(721,307)	
Total business-type activities	10,322,349	11,160,188	538,436	64,493	-	1,440,768	1,440,768	
Total primary government	\$ 40,312,720	\$ 12,965,829	\$ 2,949,719	\$ 7,584,082	(18,253,858)	1,440,768	(16,813,090)	
General Revenues:								
Local effort taxes					3,389,724	-	3,389,724	
State shared taxes					21,047,403	685,801	21,733,204	
Interest income					216,866	547,530	764,396	
Donations					30,396	2,997	33,393	
Gain (loss) on disposal of assets					43,417	1,640	45,057	
Total general revenues					24,727,806	1,237,968	25,965,774	
Transfers, net					1,799,945	(1,799,945)	-	
Change in net assets					8,273,893	878,791	9,152,684	
Net assets, beginning of year					51,558,097	33,263,119	84,821,216	
Restatements					69,751	(311,072)	(241,321)	
Net assets, beginning of year restated					51,627,848	32,952,047	84,579,895	
Net assets, end of year					\$ 59,901,741	\$ 33,830,838	\$ 93,732,579	

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF CARLSBAD
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General Fund	State Legislative Fund	National Cave- Karst Institute Fund	Total Non-Major Funds	Total Governmental Funds
ASSETS					
Cash	\$ 7,718,847	\$ -	\$ 1,650,000	\$ 4,117,590	\$ 13,486,437
Receivables, net of allowance for doubtful accounts:					
Accounts	366,716	-	-	74,501	441,217
Taxes	3,798,020	-	-	204,520	4,002,540
Intergovernmental	49,680	683,427	-	1,331,377	2,064,484
Interest	37,709	-	-	221	37,930
Restricted:					
Investments	-	-	-	1,586,745	1,586,745
Interfund balance	1,414,760	-	-	-	1,414,760
Total assets	\$ 13,385,732	\$ 683,427	\$ 1,650,000	\$ 7,314,954	\$ 23,034,113
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 133,701	\$ 571,214	\$ -	\$ 908,842	\$ 1,613,757
Accrued salaries	719,650	-	-	11,841	731,491
Accrued interest payable	-	-	-	32,354	32,354
Deferred revenues	87,343	-	1,650,000	-	1,737,343
Interfund balance	-	655,801	-	758,959	1,414,760
Total liabilities	940,694	1,227,015	1,650,000	1,711,996	5,529,705
Fund Balances:					
Reserved:					
Subsequent year's expenditures reported in nonmajor:					
Special revenue funds	-	-	-	405,887	405,887
Capital projects funds	-	-	-	36,026	36,026
Unreserved	12,445,038	(543,588)	-	-	11,901,450
Unreserved, reported in nonmajor:					
Special revenue funds	-	-	-	614,316	614,316
Capital projects funds	-	-	-	2,977,984	2,977,984
Debt service funds	-	-	-	1,568,745	1,568,745
Total fund balances	12,445,038	(543,588)	-	5,602,958	17,504,408
Total liabilities and fund balances	\$ 13,385,732	\$ 683,427	\$ 1,650,000	\$ 7,314,954	\$ 23,034,113

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

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

Total fund balance governmental funds (page nineteen)	\$	17,504,408
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		45,661,396
Recognition of property tax revenue is reflected on full accrual basis within the statement of net assets. Governmental funds recognize property tax on the modified accrual basis.		87,343
Certain accrued interest expense is not due and payable in the current period and therefore is not reported in the governmental funds.		(36,673)
Long-term liabilities, including notes payable, that are not due and payable in the current period, and, therefore are not reported in the funds.		(6,870,571)
Residual balances of the internal service funds are included within the governmental activities and are not reported with the governmental funds.		<u>3,555,838</u>
Net assets of governmental activities (page seventeen)	\$	<u><u>59,901,741</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, 2008

	General Fund	State Legislative Fund	National Cave- Karst Institute Fund	Total Non-Major Funds	Total Governmental Funds
Revenues:					
Local effort taxes	\$ 2,563,463	\$ -	\$ -	\$ 759,400	\$ 3,322,863
State shared taxes	19,729,485	-	-	1,317,918	21,047,403
Intergovernmental	1,997,103	2,569,066	-	5,340,564	9,906,733
Charges for services	777,685	-	-	146,049	923,734
Licenses and permits	183,704	-	-	78,264	261,968
Fines and forfeitures	292,305	-	-	-	292,305
Interest	102,165	-	-	57,544	159,709
Miscellaneous	385,229	1,557	-	39,006	425,792
Total revenues	26,031,139	2,570,623	-	7,738,745	36,340,507
Expenditures:					
Current:					
General government	4,183,978	-	-	122,787	4,306,765
Public safety	11,539,533	-	-	574,957	12,114,490
Public works	3,522,344	-	-	976,850	4,499,194
Culture and recreation	3,161,904	14,105	-	763,334	3,939,343
Health and welfare	150,849	-	-	202,594	353,443
Economic development	122,770	-	-	1,612,534	1,735,304
Capital outlay	498,120	2,149,060	-	4,614,885	7,262,065
Debt service:					
Principal	-	-	-	637,925	637,925
Interest	-	-	-	238,414	238,414
Total expenditures	23,179,498	2,163,165	-	9,744,280	35,086,943
Excess (deficiency) of revenues over expenditures	2,851,641	407,458	-	(2,005,535)	1,253,564
Other Financing Sources (Uses):					
Transfers in	3,241,144	72,195	-	4,747,698	8,061,037
Transfers (out)	(5,465,052)	(582,783)	-	(834,447)	(6,882,282)
Total other financing sources (uses)	(2,223,908)	(510,588)	-	3,913,251	1,178,755
Net change in fund balances	627,733	(103,130)	-	1,907,716	2,432,319
Fund balances, beginning of year	11,516,972	(461,035)	-	3,730,940	14,786,877
Restatements	300,333	20,577	-	(35,698)	285,212
Fund balances, beginning of year restated	11,817,305	(440,458)	-	3,695,242	15,072,089
Fund balances, end of year	\$ 12,445,038	\$ (543,588)	\$ -	\$ 5,602,958	\$ 17,504,408

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, 2008

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

Net change in fund balances total governmental funds (page twenty-one)	\$	2,432,319
Net change in net assets of internal service funds (page twenty-five)		562,532
Governmental funds report capital outlay as expenditures in the amount of \$7,262,065, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the amount of \$2,681,844. The net adjustment is \$4,580,221.		4,580,221
Within the statement of activities, the basis of capital assets disposed of are netted with the gross proceeds to produce a gain or loss. The disposal of capital assets does not use current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(205)
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current periods expenditures, and therefore, are reported as deferred revenue in the funds.		66,861
Accrued interest expense not due within thirty days after year end is not considered in the current period and is not reported in the governmental funds. The decrease of the accrued interest liability from the previous year reduces the interest expense within the statement of activities.		2,486
The repayment of principal of long-term consumes the current financial resources of governmental funds, however, is not recorded as an expense within the statement of activities.		637,925
Increase in the compensated absences liability is reflected as an expense within the statement of activities and the expense does not use a current financial resource and is not recorded in the governmental funds statement.		<u>(8,246)</u>
Net change in net assets - government-wide financial statements (page eighteen)	\$	<u><u>8,273,893</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Local effort taxes	\$ 2,443,147	\$ 2,443,147	\$ 2,547,051	\$ 103,904
State shared taxes	17,140,768	17,140,768	19,137,025	1,996,257
Intergovernmental	578,149	1,834,692	2,031,639	196,947
Charges for services	623,900	623,900	721,881	97,981
Licenses and permits	210,300	210,300	183,954	(26,346)
Fines and forfeitures	354,500	354,500	292,305	(62,195)
Interest	103,000	103,000	149,824	46,824
Miscellaneous	289,122	296,100	351,694	55,594
Total revenues	21,742,886	23,006,407	25,415,373	2,408,966
Expenditures:				
Current:				
General government	3,314,390	4,583,510	4,328,900	254,610
Public safety	11,486,121	12,627,839	11,360,863	1,266,976
Public works	3,454,194	3,745,718	3,455,911	289,807
Culture and recreation	2,727,684	2,838,904	2,714,258	124,646
Health and welfare	149,270	152,944	148,770	4,174
Economic development	309,607	325,510	293,566	31,944
Capital outlay	545,450	814,448	573,312	241,136
Total expenditures	21,986,716	25,088,873	22,875,580	2,213,293
Excess (deficiency) of revenues over expenditures	(243,830)	(2,082,466)	2,539,793	4,622,259
Other Financing Sources (Uses):				
Transfers in	2,441,848	3,243,536	3,241,144	(2,392)
Transfers (out)	(3,567,923)	(5,463,567)	(5,463,567)	-
Total other financing sources (uses)	(1,126,075)	(2,220,031)	(2,222,423)	(2,392)
Net change in cash balance	(1,369,905)	(4,302,497)	317,370	4,619,867
Cash balance, beginning of year	8,816,237	8,816,237	8,816,237	-
Cash advance to other funds	-	-	(1,414,760)	(1,414,760)
Cash balance, end of year	\$ 7,446,332	\$ 4,513,740	\$ 7,718,847	\$ 3,205,107

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Solid Waste Fund	Joint Water and Sewer Fund	Total Non-Major Funds	Total	
Assets:					
Current assets:					
Cash	\$ 2,242,213	\$ 2,389,859	\$ 331,487	\$ 4,963,559	\$ 2,412,756
Receivables (net of allowance):					
Accounts	213,345	807,463	60,685	1,081,493	-
Taxes	83,084	-	-	83,084	-
Interest	17,987	33,847	-	51,834	20,661
Inventory	-	267,631	-	267,631	-
Restricted assets:					
Cash	-	2,840,304	-	2,840,304	1,200,000
Investments	58,208	6,556,919	-	6,615,127	-
Non-Current assets:					
Land	10,000	935,907	167,127	1,113,034	-
Construction in progress	36,302	-	-	36,302	-
Buildings	-	-	2,892,165	2,892,165	-
Improvements	-	17,210,560	304,068	17,514,628	-
Utility system and facilities	3,295,542	30,909,428	-	34,204,970	-
Equipment	3,162,815	4,449,721	727,165	8,339,701	-
Less accumulated depreciation	(5,061,145)	(21,962,687)	(1,269,700)	(28,293,532)	-
Total capital assets, net	1,443,514	31,542,929	2,820,825	35,807,268	-
Non-Current assets:					
Unamortized bond discount	-	354,814	-	354,814	-
Total assets	4,058,351	44,793,766	3,212,997	52,065,114	3,633,417
Liabilities:					
Current liabilities:					
Accounts payable	34,118	184,566	17,640	236,324	77,579
Accrued salaries	45,158	99,407	18,364	162,929	-
Accrued liabilities	-	46,142	-	46,142	-
Accrued interest payable	1,880	53,166	-	55,046	-
Customer deposits	-	812,677	-	812,677	-
Current maturities of:					
Bonds payable	-	985,000	-	985,000	-
Notes payable	53,441	-	-	53,441	-
Compensated absences	18,006	49,758	5,608	73,372	-
Total current liabilities	152,603	2,230,716	41,612	2,424,931	77,579
Non-Current liabilities:					
Bonds payable	-	12,720,000	-	12,720,000	-
Notes payable	294,978	-	-	294,978	-
Compensated absences	17,223	10,813	4,309	32,345	-
Landfill closure and post-closure	2,762,022	-	-	2,762,022	-
Total non-current liabilities	3,074,223	12,730,813	4,309	15,809,345	-
Total liabilities	3,226,826	14,961,529	45,921	18,234,276	77,579
Net Assets:					
Invested in capital assets, net of related debt	1,095,095	31,542,929	2,820,825	35,458,849	-
Unrestricted	(263,570)	(1,710,692)	346,251	(1,628,011)	3,555,838
Total net assets	\$ 831,525	\$ 29,832,237	\$ 3,167,076	\$ 33,830,838	\$ 3,555,838

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Solid Waste Fund	Joint Water and Sewer Fund	Total Non-Major Funds	Total	
Operating Revenues:					
Charges for services	\$ 3,440,811	\$ 7,507,088	\$ 212,289	\$ 11,160,188	\$ -
Operating Expenses:					
Personnel services	1,114,568	2,443,791	400,966	3,959,325	-
General operating	1,170,571	2,176,676	533,704	3,880,951	3,491,075
Depreciation	220,274	1,334,363	173,627	1,728,264	-
Amortization	-	32,502	-	32,502	-
Total operating expenses	<u>2,505,413</u>	<u>5,987,332</u>	<u>1,108,297</u>	<u>9,601,042</u>	<u>3,491,075</u>
Operating income (loss)	935,398	1,519,756	(896,008)	1,559,146	(3,491,075)
Non-Operating Revenues (Expenses):					
State shared taxes	685,801	-	-	685,801	-
Intergovernmental	202,673	-	400,256	602,929	-
Interest income	20,506	527,024	-	547,530	57,156
Miscellaneous	-	-	2,997	2,997	3,375,261
Interest expense	(13,805)	(707,502)	-	(721,307)	-
Disposal of assets	-	1,640	-	1,640	-
Total non-operating revenues (expenses)	<u>895,175</u>	<u>(178,838)</u>	<u>403,253</u>	<u>1,119,590</u>	<u>3,432,417</u>
Income (Loss) before transfers	1,830,573	1,340,918	(492,755)	2,678,736	(58,658)
Transfers:					
Transfers in	227,866	2,622,451	881,407	3,731,724	1,634,596
Transfers (out)	(1,825,561)	(3,685,428)	(20,680)	(5,531,669)	(1,013,406)
Total transfers	<u>(1,597,695)</u>	<u>(1,062,977)</u>	<u>860,727</u>	<u>(1,799,945)</u>	<u>621,190</u>
Change in net assets	232,878	277,941	367,972	878,791	562,532
Net assets, beginning of year	605,367	29,822,697	2,835,055	33,263,119	2,993,306
Restatements	(6,720)	(268,401)	(35,951)	(311,072)	-
Net assets, beginning of year restated	<u>598,647</u>	<u>29,554,296</u>	<u>2,799,104</u>	<u>32,952,047</u>	<u>2,993,306</u>
Net assets, end of year	<u>\$ 831,525</u>	<u>\$ 29,832,237</u>	<u>\$ 3,167,076</u>	<u>\$ 33,830,838</u>	<u>\$ 3,555,838</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities - Enterprise Funds				Governmental
	Solid	Joint Water	Total	Total	Activities
	Waste Fund	and Sewer Fund	Non-Major Funds		Internal Service Funds
Cash Flows From Operating Activities:					
Cash received from customers	\$ 3,449,139	\$ 7,511,871	\$ 206,065	\$ 11,167,075	\$ -
Cash payments to suppliers for goods and services	(952,021)	(2,085,606)	(517,102)	(3,554,729)	(3,413,496)
Cash payments to employees for services	(1,124,088)	(2,451,664)	(392,345)	(3,968,097)	-
Net cash provided (used) by operating activities	1,373,030	2,974,601	(703,382)	3,644,249	(3,413,496)
Cash Flows From Non-Capital and Related Financing Activities:					
Cash received from state shared taxes	602,718	-	-	602,718	-
Cash received from intergovernmental sources	202,673	-	279,952	482,625	-
Cash received from miscellaneous sources	-	-	2,997	2,997	3,407,503
Net change in customer deposits	-	51,600	-	51,600	-
Net transfers in (out)	(1,597,695)	(1,062,977)	506,048	(2,154,624)	621,190
Net cash provided (used) by non-capital and related financing activities	(792,304)	(1,011,377)	788,997	(1,014,684)	4,028,693
Cash Flows From Capital and Related Financing Activities:					
Acquisition of capital assets	(75,926)	(1,151,472)	(17,009)	(1,244,407)	-
Proceeds from the sale of assets	-	1,640	-	1,640	-
Principal payments on capital debt	(51,978)	(950,000)	-	(1,001,978)	-
Interest paid on capital debt	(13,613)	(678,365)	-	(691,978)	-
Net cash (used) by capital and related financing activities	(141,517)	(2,778,197)	(17,009)	(2,936,723)	-
Cash Flows From Investing Activities:					
Interest income	51,379	629,892	-	681,271	59,414
Reclassify cash equivalents at beginning of year as investments	(61,417)	(6,309,115)	-	(6,370,532)	-
Return of principal of investments	10,039	1,518,463	-	1,528,502	-
Purchase of certificates of deposit	(696,822)	(2,157,900)	-	(2,854,722)	(500,000)
Purchase of investments	(6,829)	(247,804)	-	(254,633)	-
Net cash (used) by investing activities	(703,650)	(6,566,464)	-	(7,270,114)	(440,586)
Net increase (decrease) in cash	(264,441)	(7,381,437)	68,606	(7,577,272)	174,611
Cash and cash equivalents, beginning of year	1,809,832	10,453,700	262,881	12,526,413	2,938,145
Cash and cash equivalents, end of year	<u>\$ 1,545,391</u>	<u>\$ 3,072,263</u>	<u>\$ 331,487</u>	<u>\$ 4,949,141</u>	<u>\$ 3,112,756</u>
Displayed as:					
Cash	\$ 2,242,213	\$ 2,389,859	\$ 331,487	\$ 4,963,559	\$ 2,412,756
Restricted cash	-	2,840,304	-	2,840,304	1,200,000
Time deposits not considered cash equivalents	(696,822)	(2,157,900)	-	(2,854,722)	(500,000)
	<u>\$ 1,545,391</u>	<u>\$ 3,072,263</u>	<u>\$ 331,487</u>	<u>\$ 4,949,141</u>	<u>\$ 3,112,756</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$ 935,398	\$ 1,519,756	\$ (896,008)	\$ 1,559,146	\$ (3,491,075)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	220,274	1,334,363	173,627	1,728,264	-
Amortization	-	32,502	-	32,502	-
Landfill monitoring	236,517	-	-	236,517	-
Changes in Assets and Liabilities:					
(Increase) decrease in accounts receivable	7,908	(1,986)	(4,874)	1,048	-
(Increase) in inventories	-	(6,966)	-	(6,966)	-
Increase (decrease) in accounts payable	(17,547)	82,113	16,601	81,167	77,579
Increase (decrease) in accrued salaries	8,632	22,429	6,627	37,688	-
Increase (decrease) in accrued liabilities	-	22,693	-	22,693	-
Increase (decrease) in compensated absences	(18,152)	(30,303)	1,995	(46,460)	-
Increase (decrease) in customer rental deposits	-	-	(1,350)	(1,350)	-
Total adjustments	437,632	1,454,845	192,626	2,085,103	77,579
Net cash provided (used) by operating activities	<u>\$ 1,373,030</u>	<u>\$ 2,974,601</u>	<u>\$ (703,382)</u>	<u>\$ 3,644,249</u>	<u>\$ (3,413,496)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

The City's basic financial statements include all activities and accounts of the City's "financial reporting entity."

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

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

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. Based on this criterion, there are no component units of the City during the fiscal year ended June 30, 2008.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Governmental fund level financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

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

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

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

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

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

The City reports the following major governmental funds:

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

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

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

Special Revenue Funds

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

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

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

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

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

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Special Revenue Funds (continued)

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

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

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

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

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

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

Capital Projects Funds

The *project impact fund* accounts for the receipts and disbursements for equipment and capital improvements used in the implementation of sustained pre-disaster mitigation program. Financing is provided from federal grants. The fund is authorized by City Ordinance Chapter 38, Article IV, Section 38-77.

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Projects Funds (continued)

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

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

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

The *2002 bond acquisition fund* accounts for receipts and disbursements for equipment and capital improvement projects within the City. Financing is provided from bond proceeds. The fund is authorized by City Council and is in conformance with bond covenants.

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

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

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

Debt Service Funds

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Debt Service Funds (continued)

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

The City reports the following major business-type funds:

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

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

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

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

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

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

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

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

Debt Service Funds (continued)

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

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

D. Budgets

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

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

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

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

2. Receivables and Payables

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

3. Inventory

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

4. Restricted Assets

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

5. Interfund Activity

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Capital Assets

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

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

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

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

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

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Capital Assets (continued)

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

7. Compensated Absences

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

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

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

8. Deferred Revenues

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

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

9. Short-Term Obligations

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Long-Term Obligations

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

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

11. Net Assets

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

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

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

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

12. Fund Equity Reservation and Designations

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

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

13. Bond Discounts/Issuance Costs

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

14. Presentation

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

15. Cash Flows

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

16. Use of Estimates

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

2. CASH AND INVESTMENTS

Cash

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

2. CASH AND INVESTMENTS (continued)

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, 2008, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	Per Institution	Reconciling Items	Per Financial Statements
Cash on hand	\$ -	\$ 3,129	\$ 3,129
Carlsbad National Bank	4,336,563	(361,888)	3,974,675
Pioneer Savings Bank	1,626,796	-	1,626,796
Wells Fargo Bank	14,333,369	(309,664)	14,023,705
Western Commerce Bank	5,134,037	140,714	5,274,751
Total cash deposits	\$ 25,430,765	\$ (527,709)	\$ 24,903,056

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

Statement of Net Assets:	
Cash	\$ 20,862,752
Restricted cash	4,040,304
Total cash reported on financial statements	\$ 24,903,056

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. 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.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

2. CASH AND INVESTMENTS (continued)

Cash Deposited With Financial Institutions (continued)

	Carlsbad National Bank	Pioneer Savings Bank	Wells Fargo Bank	Western Commerce Bank
Checking accounts	\$ 2,256,563	\$ -	\$ 12,525,634	\$ 2,775,437
Certificates of deposit	2,078,000	1,626,796	1,807,735	2,358,600
Total deposits	4,334,563	1,626,796	14,333,369	5,134,037
FDIC coverage	(200,000)	(100,000)	(200,000)	(200,000)
Total uninsured public funds	<u>\$ 4,134,563</u>	<u>\$ 1,526,796</u>	<u>\$ 14,133,369</u>	<u>\$ 4,934,037</u>
Pledged securities	\$ 4,093,791	\$ 1,029,907	\$ 7,367,416	\$ 3,676,926
Collateral requirement (50% of uninsured public funds)	2,067,282	763,398	7,066,685	2,467,019
Over (under) collateralization	<u>\$ 2,026,509</u>	<u>\$ 266,509</u>	<u>\$ 300,731</u>	<u>\$ 1,209,907</u>

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report. According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$24,728,765 of the City's bank balance of \$25,428,765 was exposed to custodial credit risk as follows:

	Carlsbad National Bank	Pioneer Savings Bank	Wells Fargo Bank	Western Commerce Bank	Total
Uninsured and collateral held by pledging banks' trust dept. or agent not in the City's name	<u>\$ 4,134,563</u>	<u>\$ 1,526,796</u>	<u>\$ 14,133,369</u>	<u>\$ 4,934,037</u>	<u>\$ 24,728,765</u>

Investments

Investments at June 30, 2008 were as follows:

Agency	Investment	Maturity	Fair Market Value
NM State Treasurer	Investment Pool	N/A	\$ 3,006

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

2. CASH AND INVESTMENTS (continued)

Investments (continued)

Agency	Investment	Maturity	Fair Market Value
Bank of Albuquerque, N.A.	U.S. Treasury Fund	N/A	1,641,947
Wells Fargo Bank, N.A.	U.S. Treasury Fund	N/A	6,556,919
			\$ 8,201,872

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

Statement of Net Assets:	
Restricted investments	\$ 8,201,872

Cash Deposited With The New Mexico State Treasurer

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

As of June 30, 2008, the combined balance of the City's investment within the short-term investment fund was \$3,006. The cost basis and the fair market basis of the deposit are equal to \$3,006 (amount of investment).

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

Per section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the state treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the Local Government Investment Pool is voluntary. The average yield at June 30, 2008, was 2.3991%.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

2. CASH AND INVESTMENTS (continued)

Interest Rate Risk – Interest rate risk is the risk that interest rate variations may adversely affect an investment’s fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio’s weighted average maturity (WAM) is a key determinant of the tolerance of a fund’s investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The portfolio’s weighted average maturity is 46-day WAM.

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

Other Investments

As part of the note agreements and covenants, the City has cash invested, in the amount of \$1,285,746 at the Bank of Albuquerque, N.A., Trust Department, Albuquerque, New Mexico. Additionally, the City has invested \$356,201 for debt service with the same bank. The cash is invested in a U.S. Treasury Fund. The fund is composed of U.S. Treasury Notes and U.S. T-Bills. The market value at June 30, 2008, reflected by the trust department is \$1,641,947. The fund is not subject to categorization.

As part of a City ordinance, the City has idle cash invested, in the amount of \$6,556,919 at Wells Fargo Bank, N.A., Roswell, New Mexico. The fund is composed of U.S. Treasury Notes and U.S. T-Bills. The fund is not subject to categorization.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2008 consisted of the following:

	Governmental Activities	Business-Type Activities
Charges for services	\$ 666,360	\$ 1,223,986
Allowance for doubtful accounts	(225,143)	(142,493)
	<u>\$ 441,217</u>	<u>\$ 1,081,493</u>

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

4. TAXES RECEIVABLE

Amounts due from local effort and state shared taxes at June 30, 2008, consisted of the following:

	Governmental Activities	Business-Type Activities
Property taxes	\$ 50,645	\$ -
Local effort sales taxes	1,880,767	-
State shared taxes	2,071,128	83,084
Net taxes receivable	<u>\$ 4,002,540</u>	<u>\$ 83,084</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

5. INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments at June 30, 2008, consisted of the following:

	Governmental Activities	Business-Type Activities
Federal grants	\$ 1,380,823	\$ -
State grants	683,661	-
Total	\$ 2,064,484	\$ -

6. PROPERTY TAX

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

The City is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the City. The City's total tax rate to finance general government services for the year 2007, was \$6.081 per \$1,000 for non-residential and \$6.176 for residential property. In the year 2007, there was no tax rate established for payment of bonds principal and interest.

7. CAPITAL ASSETS

During the fiscal year, the City performed an intensive inventory and review of its capitals assets and the subsidiary records. The City discovered errors in the amounts reported at June 30, 2007 within the governmental and business-type activities capital assets. The effect of the changes is as follows:

	Balance 06/30/07	Corrections	Restated Balance 06/30/07
Governmental Capital Assets:			
Land	\$ 1,934,177	\$ (19,498)	\$ 1,914,679
Construction in progress	1,450,902	(1,450,902)	-

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

7. CAPITAL ASSETS (continued)

	Balance 06/30/07	Corrections	Restated Balance 06/30/07
Governmental Capital Assets:			
Buildings	39,247,660	(833,381)	38,414,279
Improvements	-	32,255	32,255
Infrastructure	29,361,147	2,613,249	31,974,396
Equipment	12,211,787	(887,082)	11,324,705
Accumulated depreciation:			
Buildings	(15,871,117)	283,483	(15,587,634)
Improvements	-	(170)	(170)
Infrastructure	(18,396,816)	(663,101)	(19,059,917)
Equipment	(8,516,892)	585,679	(7,931,213)
Net governmental capital assets	<u>\$ 41,420,848</u>	<u>\$ (339,468)</u>	<u>\$ 41,081,380</u>

	Balance 06/30/07	Corrections	Restated Balance 06/30/07
Business-Type Capital Assets:			
Land	\$ 1,623,960	\$ (510,926)	\$ 1,113,034
Construction in progress	-	-	-
Buildings	1,712,506	242,543	1,955,049
Improvements	16,472,976	332,088	16,805,064
Utility system	35,522,696	(1,049,224)	34,473,472
Infrastructure	-	-	-
Equipment	7,841,710	400,976	8,242,686
Accumulated depreciation:			
Buildings	(521,958)	-	(521,958)
Improvements	(6,722,845)	(32,668)	(6,755,513)
Utility system	(14,251,608)	593,310	(13,658,298)
Infrastructure	-	-	-
Equipment	(5,509,783)	(268,947)	(5,778,730)
Net business-type capital assets	<u>\$ 36,167,654</u>	<u>\$ (292,848)</u>	<u>\$ 35,874,806</u>

Capital assets for the fiscal year ended June 30, 2008, are as follows:

	Restated Balance 06/30/07	Increases	Decreases	Balance 06/30/08
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,914,679	\$ 3,402	\$ -	\$ 1,918,081
Construction in progress	-	24,511	-	24,511
Total capital assets, not being depreciated	1,914,679	27,913	-	1,942,592

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
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7. CAPITAL ASSETS (continued)

	Restated Balance 06/30/07	Increases	Decreases	Balance 06/30/08
Governmental Activities:				
Other capital assets, being depreciated:				
Buildings	38,414,279	2,894,683	-	41,308,962
Improvements	32,255	4,183	-	36,438
Infrastructure	31,974,396	3,720,801	-	35,695,197
Equipment	11,324,705	614,485	(364,125)	11,575,065
Total other capital assets, being depreciated	81,745,635	7,234,152	(364,125)	88,615,662
Less accumulated depreciation:				
Buildings	(15,587,634)	(890,507)	-	(16,478,141)
Improvements	(170)	(1,422)	-	(1,592)
Infrastructure	(19,059,917)	(912,427)	-	(19,972,344)
Equipment	(7,931,213)	(877,488)	363,920	(8,444,781)
Total accumulated depreciation	(42,578,934)	(2,681,844)	363,920	(44,896,858)
Other capital assets, net	39,166,701	4,552,308	(205)	43,718,804
Total capital assets, net	<u>\$ 41,081,380</u>	<u>\$ 4,580,221</u>	<u>\$ (205)</u>	<u>\$ 45,661,396</u>

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

General government	\$ 338,429
Public safety	694,532
Public works	953,593
Culture and recreation	554,470
Health and welfare	414
Economic development	140,406
	<u>\$ 2,681,844</u>

	Restated Balance 06/30/07	Increases	Decreases	Balance 06/30/08
Business-Type Activities:				
Land	\$ 1,113,034	\$ -	\$ -	\$ 1,113,034
Construction in progress	-	36,302	-	36,302
Total capital assets, not being depreciated	1,113,034	36,302	-	1,149,336
Other capital assets, being depreciated:				
Buildings	1,955,049	222,768	-	2,177,817
Improvements	16,805,064	709,564	-	17,514,628

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

7. CAPITAL ASSETS (continued)

	Restated Balance 06/30/07	Increases	Decreases	Balance 06/30/08
Business-Type Activities:				
Utility system	34,473,472	445,847	-	34,919,319
Equipment	8,242,686	246,245	(149,230)	8,339,701
Total other capital assets, being depreciated	61,476,271	1,624,424	(149,230)	62,951,465
Less accumulated depreciation for:				
Buildings	(521,958)	(63,177)	-	(585,135)
Improvements	(6,755,513)	(369,170)	-	(7,124,683)
Utility system	(13,658,298)	(748,167)	37,699	(14,368,766)
Equipment	(5,778,730)	(547,750)	111,531	(6,214,949)
Total accumulated depreciation	(26,714,499)	(1,728,264)	149,230	(28,293,533)
Other capital assets, net	34,761,772	(103,840)	-	34,657,932
Total capital assets, net	<u>\$ 35,874,806</u>	<u>\$ (67,538)</u>	<u>\$ -</u>	<u>\$ 35,807,268</u>

8. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2008, consisted of the following:

	Governmental Activities	Business-Type Activities
Gross receipts tax payable	<u>\$ -</u>	<u>\$ 46,142</u>

9. LONG-TERM OBLIGATIONS

Changes in governmental activities obligations during the year ended June 30, 2008, were as follows:

	Balance 06/30/07	Restatements	Additions	Deletions	Balance 06/30/08	Due Within One Year
Governmental Activities:						
Notes payable	\$ 3,555,189	\$ -	\$ -	\$ (407,925)	\$ 3,147,264	\$ 416,768
Bonds payable	3,040,000	-	-	(230,000)	2,810,000	245,000
Compensated absences	1,068,227	(163,166)	714,588	(706,342)	913,307	200,928
	<u>\$ 7,663,416</u>	<u>\$ (163,166)</u>	<u>\$ 714,588</u>	<u>\$ (1,344,267)</u>	<u>\$ 6,870,571</u>	<u>\$ 862,696</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

9. LONG-TERM OBLIGATIONS (continued)

Notes Payable – Governmental Activities

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

The annual requirements to amortize the loan outstanding as of June 30, 2008, including interest payments, are as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 357,788	\$ 64,708	\$ 422,496
2010	366,612	56,800	423,412
2011	376,608	47,745	424,353
2012	387,822	37,501	425,323
2013	400,224	26,099	426,323
2014	413,826	13,532	427,358
	<u>\$ 2,302,880</u>	<u>\$ 246,385</u>	<u>\$ 2,549,265</u>

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

The annual requirements to amortize the loan outstanding as of June 30, 2008, including interest payments, are as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 58,980	\$ 27,200	\$ 86,180
2010	60,442	25,888	86,330
2011	62,108	24,377	86,485
2012	63,947	22,698	86,645
2013	65,977	20,833	86,810
2014 - 2018	366,287	70,438	436,725
2019 - 2020	166,643	9,423	176,066
	<u>\$ 844,384</u>	<u>\$ 200,857</u>	<u>\$ 1,045,241</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

9. LONG-TERM OBLIGATIONS (continued)

Bonds Payable – Governmental Activities

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

The annual requirements to amortize the bonds outstanding as of June 30, 2008, including interest payments, are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2009	\$ 245,000	\$ 123,662	\$ 368,662
2010	255,000	113,344	368,344
2011	270,000	102,120	372,120
2012	255,000	90,705	345,705
2013	265,000	79,132	344,132
2014 - 2018	1,520,000	191,058	1,711,058
	\$ 2,810,000	\$ 700,021	\$ 3,510,021

Compensated Absences

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

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

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

Business-Type Activities

Changes in the business-type activities obligations during the year ended June 30, 2008, were as follows:

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

9. LONG-TERM OBLIGATIONS (continued)

Business-Type Activities (continued)

	Balance 06/30/07	Restatements	Additions	Deletions	Balance 06/30/08	Amounts Due Within One Year
Notes payable	\$ 400,397	\$ -	\$ -	\$ (51,978)	\$ 348,419	\$ 53,441
Bonds payable	14,655,000	-	-	(950,000)	13,705,000	985,000
Landfill closure	2,525,505	-	236,517	-	2,762,022	-
Compensated absences	135,574	(16,875)	139,859	(152,841)	105,717	73,372
	<u>\$ 17,716,476</u>	<u>\$ (16,875)</u>	<u>\$ 376,376</u>	<u>\$ (1,154,819)</u>	<u>\$ 16,921,158</u>	<u>\$ 1,111,813</u>

Notes Payable – Business-Type Activities

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

The annual requirements to amortize the loan outstanding as of June 30, 2008, including interest payments, are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2009	\$ 53,441	\$ 11,281	\$ 64,722
2010	55,085	9,775	64,860
2011	56,885	8,118	65,003
2012	58,841	6,308	65,149
2013	60,951	4,349	65,300
2014	63,216	2,242	65,458
	<u>\$ 348,419</u>	<u>\$ 42,073</u>	<u>\$ 390,492</u>

Bonds Payable – Business-Type Activities

On November 1, 1998, the City issued bonds in the amount of \$21,370,000 for the purposes of defraying a portion of the cost of the refunding, refinancing, paying and discharging the City's promissory note to the New Mexico Environment Department, and the extension, enlargement, betterment, repair and other improvements to the joint water and sewer system. The bond bears interest at rates between 4.00% through 4.75% per annum and matures on June 1, 2019. The payment of principal, premium and interest thereon, whether at maturity or on a redemption date, are paid with income derived from the operation of the joint water and sewer system.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

9. LONG-TERM OBLIGATIONS (continued)

Bonds Payable – Business-Type Activities (continued)

The annual requirement to amortize the bonds outstanding as of June 30, 2008, including interest payments, is as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 985,000	\$ 637,990	\$ 1,622,990
2010	1,030,000	595,636	1,625,636
2011	1,075,000	550,316	1,625,316
2012	1,125,000	501,940	1,626,940
2013	1,170,000	450,190	1,620,190
2014 - 2018	6,765,000	1,363,012	8,128,012
2019	1,555,000	73,863	1,628,863
	<u>\$ 13,705,000</u>	<u>\$ 4,172,947</u>	<u>\$ 17,877,947</u>

Landfill Closure and Post-Closure Costs

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

Based on a joint powers agreement between the City and County of Eddy, the closure and post-closure care costs will be shared at 50% for each government. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during each year. The total estimated liability for landfill closure costs is \$15,447,127 as of June 30, 2008, which is based cumulative capacity of 5,574,000 cubic gate years of air space to be used over its estimated life of twenty years. It is estimated that an additional \$2,269,500 of post-closure care costs will be recognized over thirty years after the landfill is closed.

The estimated total current cost of the landfill closure and post-closure care of \$17,716,627 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2008. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in state and federal landfill laws and regulations. The City is required by the state of New Mexico Environmental Regulation Board to demonstrate financial assurance for the post-closure costs.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

9. LONG-TERM OBLIGATIONS (continued)

Landfill Closure and Post-Closure Costs (continued)

The following calculation details the current amount recognized for landfill closure and post-closure care as of June 30, 2008:

Estimated landfill closure cost	\$ 15,447,127
Estimated landfill post-closure care cost	<u>2,269,500</u>
Total estimated closure and post-closure costs	<u><u>\$ 17,716,627</u></u>
Total capacity used to date (approximately 1,737,728 cubic gate yards) as a percentage of total capacity (5,574,000 cubic gate yards)	<u>31.18%</u>
Total estimated closure and post-closure costs	17,716,627
Total capacity used to date	<u>31.18%</u>
Estimated closure and post-closure care costs	<u>\$ 5,524,044</u>
Estimated closure and post-closure care costs - 06-30-08	\$ 5,524,044
Prior liability recognized	<u>(5,051,010)</u>
Current year liability	<u>\$ 473,034</u>
City of Carlsbad's portion (50% of current year liability)	<u>\$ 236,517</u>
Prior year liability recognized	\$ 2,525,505
Current year liability	<u>236,517</u>
Estimated liability for the fiscal year ended June 30, 2008	<u><u>\$ 2,762,022</u></u>

10. TAXES

Local effort and state shared revenue as of June 30, 2008:

	General Fund	Total Non-Major Funds	Total Governmental Funds
Local effort taxes:			
Franchise taxes	\$ 804,741	\$ -	\$ 804,741
Lodgers' taxes	-	759,400	759,400
Property taxes	<u>1,758,722</u>	-	<u>1,758,722</u>
	<u>\$ 2,563,463</u>	<u>\$ 759,400</u>	<u>\$ 3,322,863</u>
State shared taxes:			
Cigarette taxes	\$ 57,974	\$ 29,095	\$ 87,069
Gasoline taxes	-	362,879	362,879
Gross receipts taxes	<u>19,671,511</u>	<u>925,944</u>	<u>20,597,455</u>
	<u>\$ 19,729,485</u>	<u>\$ 1,317,918</u>	<u>\$ 21,047,403</u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

11. INTERFUND BALANCES AND TRANSFERS

Interfund Balances

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sports Complex Fund	\$ 684,203
General Fund	State Legislative Fund	655,801
General Fund	Airport Fund	74,756
		<u>\$ 1,414,760</u>

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

Interfund Transfers

	<u>Transfer In</u>					<u>Total</u>
	<u>General Fund</u>	<u>State Legislative Fund</u>	<u>Solid Waste Fund</u>	<u>Joint Water and Sewer Fund</u>	<u>Non-Major Funds</u>	
Transfers (out):						
General Fund	\$ -	\$ 72,195	\$ -	\$ -	\$ 5,392,857	\$ 5,465,052
State Legislative Fund	-	-	54,589	175,000	353,194	582,783
Solid Waste Fund	1,169,259	-	-	-	656,302	1,825,561
Joint Water and Sewer Fund	1,267,339	-	-	1,628,365	789,724	3,685,428
Non-Major Funds	804,546	-	173,277	819,086	71,624	1,868,533
	<u>\$ 3,241,144</u>	<u>\$ 72,195</u>	<u>\$ 227,866</u>	<u>\$ 2,622,451</u>	<u>\$ 7,263,701</u>	<u>\$ 13,427,357</u>

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

12. RESTATEMENT OF NET ASSETS

During the fiscal year ended June 30, 2008, the City determined that changes to the beginning of year net assets and fund balances were necessary. A description and the effect of the changes are as follows:

	<u>Government-Wide</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Individual Funds</u>
Government-Wide Financial Statements:			
Restated governmental activities capital assets balances due to errors in the subsidiary ledgers	\$	(339,468)	

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

12. RESTATEMENT OF NET ASSETS (continued)

	Government-Wide		Individual Funds
	Governmental Activities	Business-Type Activities	
Government-Wide Financial Statements:			
Restated governmental activities compensated absences balances due to errors in the subsidiary ledgers	163,166		
Restated governmental activities interest payable balances due to errors in the subsidiary ledgers	(39,159)		
General Fund:			
Restated accounts receivable as the amounts were not included in the subsidiary ledgers	300,333		\$ 300,333
State Legislative Fund:			
Restated intergovernmental receivables balances due to errors in the subsidiary ledgers	20,577		\$ 20,577
Sports Complex Debt Service Fund:			
Restated governmental activities interest revenue balances due to errors in the subsidiary ledgers	(35,698)		\$ (35,698)
Solid Waste Fund:			
Restated business activities compensated absences balances due to errors in the subsidiary ledgers		\$ (6,720)	\$ (6,720)
Joint Water & Sewer Fund:			
Restated business activities compensated absences balances due to errors in the subsidiary ledgers		(9,882)	\$ (9,882)
Restated business activities capital assets balances due to errors in the subsidiary ledgers		(258,519)	(258,519)
			\$ (268,401)
Municipal Transit Fund:			
Restated business activities compensated absences balances due to errors in the subsidiary ledgers		(244)	\$ (244)
Restated business activities capital assets balances due to errors in the subsidiary ledgers		(9,340)	(9,340)
			\$ (9,584)
Performing Arts Centre Fund:			
Restated business activities compensated absences balances due to errors in the subsidiary ledgers		(28)	\$ (28)
Restated business activities customer deposits payable balances due to errors in the subsidiary ledgers		(1,350)	(1,350)
			\$ (1,378)
Cemetery Fund:			
Restated business activities capital assets balances due to errors in the subsidiary ledgers		(24,989)	\$ (24,989)
Total	\$ 69,751	\$ (311,072)	

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
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DEFICIT FUND BALANCE AND EXCESS
13. EXPENDITURES OVER APPROPRIATIONS

The following funds had a deficit fund balance as of June 30, 2008:

Fund	Amount
State legislative	\$ 543,588
Airport	92,184
WIPP Acceleration Impact	57,064

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

14. BUDGET RECONCILIATION

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

	General Fund
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "available to appropriation" from the budgetary comparison schedule.	\$ 25,415,373
Differences - Budget to GAAP:	
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	584,168
Assets donated to the City are considered miscellaneous revenues for financial reporting. The donations did not provide an inflow of resources and therefore are not recorded for budgetary purposes.	25,000
Real estate taxes deferred in the previous year are recognized when considered available for financial reporting purposes. The real estate taxes are not recognized for budgetary purposes until received.	6,598
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	\$ 26,031,139
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 22,875,580
Differences - Budget to GAAP:	
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	124,094
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenses for financial reporting purposes.	156,309

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

14. BUDGET RECONCILIATION (continued)

	General Fund
The City purchased capital assets within the general fund and reflected such for budgetary purposes. The capital assets benefited other funds for financial reporting purposes, the City reclassified the expenditures as transfer to the other funds.	(1,485)
During the fiscal year, the City received donated assets. For financial reporting purposes, the City increased capital outlay by the donated value. For budgetary purposes, the City did not reflect the capital outlay as no cash was expended.	25,000
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	\$ 23,179,498
Other Sources (Uses) of Resources:	
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison schedule.	\$ (2,222,423)
Differences - Budget to GAAP:	
The City purchased capital assets within the general fund and reflected the purchases as such for budgetary purposes. The capital assets benefited other funds and for financial reporting purposes, the City reclassified the expenditures as transfer to the other funds.	(1,485)
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances	\$ (2,223,908)

15. RETIREMENT PLAN

Plan Description

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

Funding Policy

Plan members are required to contribute from 13.15% to 16.30% (ranges from 4.78% to 16.65% depending upon the plan – i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The City is required to contribute from 9.15% to 21.25% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary.

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CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
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15. RETIREMENT PLAN (continued)

The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the fiscal years ending June 30, 2008, 2007, and 2006 were \$1,697,770, \$1,571,739 and \$1,529,545, respectively, equal to the amount of the required contributions for each year.

16. POST-EMPLOYMENT BENEFITS

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.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

17. POST-EMPLOYMENT BENEFITS (continued)

Funding Policy (continued)

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

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

The City's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$170,111, \$160,915 and \$156,256, respectively, which equal the required contributions for each year.

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

18. RELATED PARTY TRANSACTIONS

The City maintains deposit balances at a local bank where the Mayor is co-chairman of the board of directors. The balances were \$4,336,563 as of June 30, 2008.

The City has an additional three related party transactions, involving the mayor and/or a City councilor. For the fiscal year ended June 30, 2008, the totals of these additional related party transactions are immaterial in respect to the financial statements.

19. 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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

19. RISK MANAGEMENT (continued)

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.

20. CONTINGENT LIABILITES

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

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

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds									
	E-911 Fund	Home Program Fund	Fire Protection Fund	Recreation Fund	Lodger's Tax Fund	Airport Fund	Emergency Medical Services Fund	Local Government Corrections Fund	Special Police Program Fund	Law Enforcement Protection Fund
ASSETS										
Cash	\$ 4,852	\$ 12,120	\$ 19,971	\$ 39,255	\$ 359,168	\$ -	\$ -	\$ 101,228	\$ 11,288	\$ 1,545
Accounts receivable	-	-	-	-	74,501	-	-	-	-	-
Taxes receivable	-	-	-	2,759	-	-	-	-	-	-
Intergovernmental receivable	-	9,410	-	-	-	-	-	-	-	-
Accrued interest receivable	-	-	-	-	221	-	-	-	-	-
Restricted:										
Investments	-	-	95,046	-	-	-	-	-	-	-
Total assets	\$ 4,852	\$ 21,530	\$ 115,017	\$ 42,014	\$ 433,890	\$ -	\$ -	\$ 101,228	\$ 11,288	\$ 1,545
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ 6,506	\$ 2,789	\$ 32,837	\$ 17,428	\$ -	\$ 24,300	\$ -	\$ -
Accrued salaries	-	-	-	6,048	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-	-	-	-
Interfund balance	-	-	-	-	-	74,756	-	-	-	-
Total liabilities	-	-	6,506	8,837	32,837	92,184	-	24,300	-	-
Fund Balances:										
Reserved:										
Subsequent year's expenditures	-	-	5,533	27,367	-	-	-	76,928	10,642	1,545
Unreserved	4,852	21,530	102,978	5,810	401,053	(92,184)	-	-	646	-
Total fund balances	4,852	21,530	108,511	33,177	401,053	(92,184)	-	76,928	11,288	1,545
Total liabilities and fund balances	\$ 4,852	\$ 21,530	\$ 115,017	\$ 42,014	\$ 433,890	\$ -	\$ -	\$ 101,228	\$ 11,288	\$ 1,545

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Special Revenue Funds				Capital Project Funds				
	RSVP Program Total	Sports Complex Fund	WIPP Acceleration Impact Fund	Total Special Revenue Funds	Project Impact Fund	Park Improvement Fund	Sewer System Improvement Fund	Water System Improvement Fund	Street System Improvement Fund
<u>ASSETS</u>									
Cash	\$ 6,776	\$ -	\$ 568,769	\$ 1,124,972	\$ -	\$ 79,287	\$ 280,506	\$ 545,289	\$ 132,579
Accounts receivable	-	-	-	74,501	-	-	-	-	-
Taxes receivable	-	-	-	2,759	-	-	-	-	35,909
Intergovernmental receivable	233	-	-	9,643	-	-	-	-	-
Accrued interest receivable	-	-	-	221	-	-	-	-	-
Restricted:									
Investments	-	1,190,605	-	1,285,651	-	-	-	-	-
Total assets	<u>\$ 7,009</u>	<u>\$ 1,190,605</u>	<u>\$ 568,769</u>	<u>\$ 2,497,747</u>	<u>\$ -</u>	<u>\$ 79,287</u>	<u>\$ 280,506</u>	<u>\$ 545,289</u>	<u>\$ 168,488</u>
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts payable	\$ 1,550	\$ 35	\$ 625,833	\$ 711,278	\$ -	\$ 25	\$ 22,502	\$ 6,527	\$ 132,462
Accrued salaries	1,259	-	-	7,307	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-	-	-
Interfund balance	-	684,203	-	758,959	-	-	-	-	-
Total liabilities	2,809	684,238	625,833	1,477,544	-	25	22,502	6,527	132,462
Fund Balances:									
Reserved:									
Subsequent year's expenditures	1,802	282,070	-	405,887	-	-	-	-	36,026
Unreserved	2,398	224,297	(57,064)	614,316	-	79,262	258,004	538,762	-
Total fund balances	4,200	506,367	(57,064)	1,020,203	-	79,262	258,004	538,762	36,026
Total liabilities and fund balances	<u>\$ 7,009</u>	<u>\$ 1,190,605</u>	<u>\$ 568,769</u>	<u>\$ 2,497,747</u>	<u>\$ -</u>	<u>\$ 79,287</u>	<u>\$ 280,506</u>	<u>\$ 545,289</u>	<u>\$ 168,488</u>

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Capital Project Funds					Debt Service Funds			
	CIEP Fund	2002 Bond Acquisition Fund	Old Landfill Closure Fund	Sandpoint Landfill Fund	Federal Project Funds	Total Capital Project Funds	Sports Complex Fund	2002 Sales Tax Bonds Fund	Total Debt Service Funds
ASSETS									
Cash	\$ 685,087	\$ -	\$ 73,227	\$ 3,375	\$ 48,785	\$ 1,848,135	\$ 1,125,740	\$ 18,743	\$ 1,144,483
Accounts receivable	-	-	-	-	-	-	-	-	-
Taxes receivable	-	-	-	-	-	35,909	165,852	-	165,852
Intergovernmental receivable	-	-	-	-	1,321,734	1,321,734	-	-	-
Accrued interest receivable	-	-	-	-	-	-	-	-	-
Restricted:									
Investments	-	-	-	-	-	-	301,094	-	301,094
Total assets	<u>\$ 685,087</u>	<u>\$ -</u>	<u>\$ 73,227</u>	<u>\$ 3,375</u>	<u>\$ 1,370,519</u>	<u>\$ 3,205,778</u>	<u>\$ 1,592,686</u>	<u>\$ 18,743</u>	<u>\$ 1,611,429</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 7,191	\$ -	\$ 22,999	\$ 62	\$ -	\$ 191,768	\$ 5,796	\$ -	\$ 5,796
Accrued salaries	-	-	-	-	-	-	4,534	-	4,534
Accrued interest payable	-	-	-	-	-	-	32,354	-	32,354
Interfund balance	-	-	-	-	-	-	-	-	-
Total liabilities	7,191	-	22,999	62	-	191,768	42,684	-	42,684
Fund Balances:									
Reserved:									
Subsequent year's expenditures	-	-	-	-	-	36,026	-	-	-
Unreserved	677,896	-	50,228	3,313	1,370,519	2,977,984	1,550,002	18,743	1,568,745
Total fund balances	677,896	-	50,228	3,313	1,370,519	3,014,010	1,550,002	18,743	1,568,745
Total liabilities and fund balances	<u>\$ 685,087</u>	<u>\$ -</u>	<u>\$ 73,227</u>	<u>\$ 3,375</u>	<u>\$ 1,370,519</u>	<u>\$ 3,205,778</u>	<u>\$ 1,592,686</u>	<u>\$ 18,743</u>	<u>\$ 1,611,429</u>

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

		Total Non-Major Funds
<u>ASSETS</u>		
Cash	\$	4,117,590
Accounts receivable		74,501
Taxes receivable		204,520
Intergovernmental receivable		1,331,377
Accrued interest receivable		221
Restricted:		
Investments		1,586,745
Total assets	\$	<u>7,314,954</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$	908,842
Accrued salaries		11,841
Accrued interest payable		32,354
Interfund balance		758,959
Total liabilities		1,711,996
Fund Balances:		
Reserved:		
Subsequent year's expenditures		441,913
Unreserved		5,161,045
Total fund balances		<u>5,602,958</u>
Total liabilities and fund balances	\$	<u>7,314,954</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds									
	E-911 Fund	Home Program Fund	Fire Protection Fund	Recreation Fund	Lodger's Tax Fund	Airport Fund	Emergency Medical Services Fund	Local Government Corrections Fund	Special Police Program Fund	Law Enforcement Protection Fund
Revenues:										
Local effort taxes	\$ -	\$ -	\$ -	\$ -	\$ 759,400	\$ -	\$ -	\$ -	\$ -	\$ -
State shared taxes	-	-	-	29,095	-	-	-	-	-	-
Intergovernmental	157,896	169,571	299,640	-	-	1,104,357	20,000	-	1,000	60,600
Charges for services	-	-	-	16,233	-	6,148	-	118,293	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Interest	-	-	6,078	-	1,205	-	-	-	-	-
Miscellaneous	-	-	-	-	3,821	31,260	-	-	1,611	-
Total revenues	157,896	169,571	305,718	45,328	764,426	1,141,765	20,000	118,293	2,611	60,600
Expenditures:										
Current:										
General government	-	-	-	-	-	-	-	-	-	-
Public safety	158,747	-	193,101	-	-	-	20,000	171,365	4,433	27,311
Public works	-	-	-	-	-	26,994	-	-	-	-
Culture and recreation	-	-	-	267,094	401,711	-	-	-	-	-
Health and welfare	-	148,819	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	194	-	1,227,682	-	-	-	-
Debt service:										
Principal	-	-	57,721	-	-	-	-	-	-	-
Interest	-	-	30,567	-	-	-	-	-	-	-
Total expenditures	158,747	148,819	281,389	267,288	401,711	1,254,676	20,000	171,365	4,433	27,311
Excess (deficiency) of revenues over expenditures	(851)	20,752	24,329	(221,960)	362,715	(112,911)	-	(53,072)	(1,822)	33,289
Other Financing Sources (Uses):										
Transfers in	-	-	-	209,325	-	-	-	55,101	-	-
Transfers (out)	-	-	(12,650)	(705)	(100,000)	-	-	-	-	(31,744)
Total other financing sources (uses)	-	-	(12,650)	208,620	(100,000)	-	-	55,101	-	(31,744)
Net change in fund balances	(851)	20,752	11,679	(13,340)	262,715	(112,911)	-	2,029	(1,822)	1,545
Fund balances, beginning of year	5,703	778	96,832	46,517	138,338	20,727	-	74,899	13,110	-
Restatements	-	-	-	-	-	-	-	-	-	-
Fund balances, beginning of year restated	5,703	778	96,832	46,517	138,338	20,727	-	74,899	13,110	-
Fund balances, end of year	<u>\$ 4,852</u>	<u>\$ 21,530</u>	<u>\$ 108,511</u>	<u>\$ 33,177</u>	<u>\$ 401,053</u>	<u>\$ (92,184)</u>	<u>\$ -</u>	<u>\$ 76,928</u>	<u>\$ 11,288</u>	<u>\$ 1,545</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds				Capital Project Funds				
	RSVP Program Total	Sports Complex Fund	WIPP Acceleration Impact Fund	Total Special Revenue Funds	Project Impact Fund	Park Improvement Fund	Sewer System Improvement Fund	Water System Improvement Fund	Street System Improvement Fund
Revenues:									
Local effort taxes	\$ -	\$ -	\$ -	\$ 759,400	\$ -	\$ -	\$ -	\$ -	\$ -
State shared taxes	-	-	-	29,095	-	-	-	-	362,879
Intergovernmental	47,267	-	700,000	2,560,331	-	37,241	8,145	-	491,964
Charges for services	-	-	-	140,674	-	5,375	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	78,264
Interest	-	40,115	-	47,398	-	-	-	-	-
Miscellaneous	-	-	-	36,692	-	2,000	-	-	314
Total revenues	47,267	40,115	700,000	3,573,590	-	44,616	8,145	-	933,421
Expenditures:									
Current:									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	574,957	-	-	-	-	-
Public works	-	-	-	26,994	-	-	149,530	60,071	644,851
Culture and recreation	-	33,425	-	702,230	-	27,854	-	-	-
Health and welfare	53,775	-	-	202,594	-	-	-	-	-
Economic development	-	-	1,541,578	1,541,578	-	-	-	-	-
Capital outlay	-	13,610	353,221	1,594,707	25,679	12,995	-	16,452	522,512
Debt service:									
Principal	-	-	-	57,721	-	-	-	-	-
Interest	-	-	-	30,567	-	-	-	-	-
Total expenditures	53,775	47,035	1,894,799	4,731,348	25,679	40,849	149,530	76,523	1,167,363
Excess (deficiency) of revenues over expenditures	(6,508)	(6,920)	(1,194,799)	(1,157,758)	(25,679)	3,767	(141,385)	(76,523)	(233,942)
Other Financing Sources (Uses):									
Transfers in	-	-	-	264,426	-	-	982,192	645,785	191,711
Transfers (out)	-	-	-	(145,099)	-	-	(650,313)	(33,785)	-
Total other financing sources (uses)	-	-	-	119,327	-	-	331,879	612,000	191,711
Net change in fund balances	(6,508)	(6,920)	(1,194,799)	(1,038,431)	(25,679)	3,767	190,494	535,477	(42,231)
Fund balances, beginning of year	10,708	513,287	1,137,735	2,058,634	25,679	75,495	67,510	3,285	78,257
Restatements	-	-	-	-	-	-	-	-	-
Fund balances, beginning of year restated	10,708	513,287	1,137,735	2,058,634	25,679	75,495	67,510	3,285	78,257
Fund balances, end of year	\$ 4,200	\$ 506,367	\$ (57,064)	\$ 1,020,203	\$ -	\$ 79,262	\$ 258,004	\$ 538,762	\$ 36,026

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Capital Project Funds					Debt Service Funds				Total Non-Major Funds
	CIEP Fund	2002 Bond Acquisition Fund	Old Landfill Closure Fund	Sandpoint Landfill Fund	Federal Projects Fund	Total Capital Projects Fund	Sports Complex Fund	2002 Sales Tax Bonds Fund	Total Debt Service Funds Fund	
Revenues:										
Local effort taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 759,400
State shared taxes	-	-	-	-	-	362,879	925,944	-	925,944	1,317,918
Intergovernmental	11,600	-	-	44,354	2,186,929	2,780,233	-	-	-	5,340,564
Charges for services	-	-	-	-	-	5,375	-	-	-	146,049
Licenses and permits	-	-	-	-	-	78,264	-	-	-	78,264
Interest	-	-	-	-	-	-	10,146	-	10,146	57,544
Miscellaneous	-	-	-	-	-	2,314	-	-	-	39,006
Total revenues	11,600	-	-	44,354	2,186,929	3,229,065	936,090	-	936,090	7,738,745
Expenditures:										
Liabilities:										
General government	-	-	-	-	-	-	122,787	-	122,787	122,787
Public safety	-	-	-	-	-	-	-	-	-	574,957
Public works	-	-	54,363	41,041	-	949,856	-	-	-	976,850
Culture and recreation	-	-	-	-	-	27,854	33,250	-	33,250	763,334
Health and welfare	-	-	-	-	-	-	-	-	-	202,594
Economic development	70,956	-	-	-	-	70,956	-	-	-	1,612,534
Capital outlay	84,955	-	-	-	2,357,585	3,020,178	-	-	-	4,614,885
Debt service:										
Principal	-	-	-	-	-	-	350,204	230,000	580,204	637,925
Interest	-	-	-	-	-	-	74,685	133,162	207,847	238,414
Total expenditures	155,911	-	54,363	41,041	2,357,585	4,068,844	580,926	363,162	944,088	9,744,280
Excess (deficiency) of revenues over expenditures	(144,311)	-	(54,363)	3,313	(170,656)	(839,779)	355,164	(363,162)	(7,998)	(2,005,535)
Other Financing Sources (Uses):										
Transfers in	475,000	-	75,543	-	1,741,999	4,112,230	7,879	363,163	371,042	4,747,698
Transfers (out)	-	(5,250)	-	-	-	(689,348)	-	-	-	(834,447)
Total other financing sources (uses)	475,000	(5,250)	75,543	-	1,741,999	3,422,882	7,879	363,163	371,042	3,913,251
Net change in fund balances	330,689	(5,250)	21,180	3,313	1,571,343	2,583,103	363,043	1	363,044	1,907,716
Fund balances, beginning of year	347,207	5,250	29,048	-	(200,824)	430,907	1,222,657	18,742	1,241,399	3,730,940
Restatements	-	-	-	-	-	-	(35,698)	-	(35,698)	(35,698)
Fund balances, beginning of year restated	347,207	5,250	29,048	-	(200,824)	430,907	1,186,959	18,742	1,205,701	3,695,242
Fund balances, end of year	<u>\$ 677,896</u>	<u>\$ -</u>	<u>\$ 50,228</u>	<u>\$ 3,313</u>	<u>\$ 1,370,519</u>	<u>\$ 3,014,010</u>	<u>\$ 1,550,002</u>	<u>\$ 18,743</u>	<u>\$ 1,568,745</u>	<u>\$ 5,602,958</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
E-911 GRANT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Charges for services	\$ 12,680	\$ 170,576	\$ 157,896	\$ (12,680)
Expenditures:				
Current:				
Public safety	<u>12,680</u>	<u>170,576</u>	<u>158,747</u>	<u>11,829</u>
Net change in cash balance	-	-	(851)	(851)
Cash balance, beginning of year	<u>5,703</u>	<u>5,703</u>	<u>5,703</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 5,703</u></u>	<u><u>\$ 5,703</u></u>	<u><u>\$ 4,852</u></u>	<u><u>\$ (851)</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
HOME PROGRAM SERVICES SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 217,804	\$ 240,339	\$ 160,161	\$ (80,178)
Expenditures:				
Current:				
Health and welfare	2,157	2,157	1,621	536
Capital outlay	<u>39,784</u>	<u>62,319</u>	<u>147,198</u>	<u>(84,879)</u>
Total expenditures	<u>41,941</u>	<u>64,476</u>	<u>148,819</u>	<u>(84,343)</u>
Net change in cash balance	175,863	175,863	11,342	(164,521)
Cash balance, beginning of year	<u>778</u>	<u>778</u>	<u>778</u>	<u>-</u>
Cash balance, end of year	<u>\$ 176,641</u>	<u>\$ 176,641</u>	<u>\$ 12,120</u>	<u>\$ (164,521)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
FIRE PROTECTION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 268,254	\$ 299,640	\$ 299,640	\$ -
Interest	-	-	6,078	6,078
Total revenue	268,254	299,640	305,718	6,078
Expenditures:				
Current:				
Public safety	169,384	198,767	172,291	26,476
Capital outlay	20,000	15,617	15,616	1
Debt service:				
Interest	88,352	88,352	88,288	64
Total expenditures	277,736	302,736	276,195	26,541
Excess (deficiency) of revenues over expenditures	(9,482)	(3,096)	29,523	32,619
Other Financing Sources (Uses):				
Transfer (out)	(12,650)	(12,650)	(12,650)	-
Total other financing sources (uses)	(12,650)	(12,650)	(12,650)	-
Net change in cash balance	(22,132)	(15,746)	16,873	32,619
Cash balance, beginning of year	3,800	3,800	3,800	-
Cash converted to investments	-	-	(702)	(702)
Cash advanced from general fund	18,332	11,946	-	(11,946)
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,971</u>	<u>\$ 19,971</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECREATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 18,722	\$ 18,722	\$ 26,336	\$ 7,614
Charges for services	14,408	14,408	16,633	2,225
Total revenues	33,130	33,130	42,969	9,839
Expenditures:				
Current:				
Culture and recreation	279,200	290,593	263,001	27,592
Capital outlay	4,750	4,750	4,155	595
Total expenditures	283,950	295,343	267,156	28,187
(Deficiency) of revenues over expenditures	(250,820)	(262,213)	(224,187)	38,026
Other Financing Sources (Uses):				
Transfer in	206,932	209,325	209,325	-
Transfer (out)	(705)	(705)	(705)	-
Total other financing sources (uses)	206,227	208,620	208,620	-
Net change in cash balance	(44,593)	(53,593)	(15,567)	38,026
Cash balance, beginning of year	54,822	54,822	54,822	-
Cash balance, end of year	<u>\$ 10,229</u>	<u>\$ 1,229</u>	<u>\$ 39,255</u>	<u>\$ 38,026</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
LODGER'S TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Local effort taxes	\$ 511,637	\$ 511,637	\$ 684,899	\$ 173,262
Miscellaneous	-	-	3,821	3,821
Interest	-	-	1,509	1,509
	<u>511,637</u>	<u>511,637</u>	<u>690,229</u>	<u>178,592</u>
Total revenues	511,637	511,637	690,229	178,592
Expenditures:				
Current:				
Culture and recreation	414,925	415,925	397,784	18,141
	<u>414,925</u>	<u>415,925</u>	<u>397,784</u>	<u>18,141</u>
Excess of revenues over expenditures	96,712	95,712	292,445	196,733
Other Financing Sources (Uses):				
Transfer (out)	(100,000)	(100,000)	(100,000)	-
	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net change in cash balance	(3,288)	(4,288)	192,445	196,733
Cash balance, beginning of year	166,723	166,723	166,723	-
	<u>166,723</u>	<u>166,723</u>	<u>166,723</u>	<u>-</u>
Cash balance, end of year	\$ 163,435	\$ 162,435	\$ 359,168	\$ 196,733
	<u>\$ 163,435</u>	<u>\$ 162,435</u>	<u>\$ 359,168</u>	<u>\$ 196,733</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
AIRPORT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 1,502,602	\$ 1,502,602	\$ 1,104,357	\$ (398,245)
Charges for services	12,654	12,654	6,148	(6,506)
Miscellaneous	-	31,260	31,260	-
Total revenues	<u>1,515,256</u>	<u>1,546,516</u>	<u>1,141,765</u>	<u>(404,751)</u>
Expenditures:				
Current:				
Public works	122,828	154,088	98,542	55,546
Capital outlay	<u>1,390,080</u>	<u>1,390,080</u>	<u>1,138,706</u>	<u>251,374</u>
Total expenditures	<u>1,512,908</u>	<u>1,544,168</u>	<u>1,237,248</u>	<u>306,920</u>
Net change in cash balance	2,348	2,348	(95,483)	(97,831)
Cash balance, beginning of year	20,727	20,727	20,727	-
Cash advanced from general fund	<u>-</u>	<u>-</u>	<u>74,756</u>	<u>74,756</u>
Cash balance, end of year	<u><u>\$ 23,075</u></u>	<u><u>\$ 23,075</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (23,075)</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
EMERGENCY MEDICAL SERVICES SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Expenditures:				
Current:				
Public safety	11,000	11,285	11,286	(1)
Capital outlay	<u>9,000</u>	<u>8,715</u>	<u>8,714</u>	<u>1</u>
Total expenditures	20,000	20,000	20,000	-
Net change in cash balance	-	-	-	-
Cash balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
LOCAL GOVERNMENT CORRECTION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Charges for services	\$ 170,000	\$ 170,000	\$ 118,293	\$ (51,707)
Expenditures:				
Current:				
Public safety	<u>300,000</u>	<u>300,000</u>	<u>147,065</u>	<u>152,935</u>
(Deficiency) of revenues over expenditures	(130,000)	(130,000)	(28,772)	101,228
Other Financing Sources (Uses):				
Transfer in	<u>55,101</u>	<u>55,101</u>	<u>55,101</u>	<u>-</u>
Net change in cash balance	(74,899)	(74,899)	26,329	101,228
Cash balance, beginning of year	<u>74,899</u>	<u>74,899</u>	<u>74,899</u>	<u>-</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,228</u>	<u>\$ 101,228</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SPECIAL POLICE PROGRAM SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 3,000	\$ 5,500	\$ 1,000	\$ (4,500)
Miscellaenous	-	-	1,611	1,611
Total revenues	3,000	5,500	2,611	(2,889)
Expenditures:				
Current:				
Public safety	12,590	15,090	4,433	10,657
Capital outlay	3,000	3,000	-	3,000
Total expenditures	15,590	18,090	4,433	13,657
Net change in cash balance	(12,590)	(12,590)	(1,822)	10,768
Cash balance, beginning of year	13,110	13,110	13,110	-
Cash balance, end of year	<u>\$ 520</u>	<u>\$ 520</u>	<u>\$ 11,288</u>	<u>\$ 10,768</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
LAW ENFORCEMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 60,600	\$ 60,600	\$ 60,600	\$ -
Expenditures:				
Current:				
Public safety	25,000	26,000	24,455	1,545
Capital outlay	3,856	2,856	2,856	-
Total expenditures	28,856	28,856	27,311	1,545
Excess of revenues over expenditures	31,744	31,744	33,289	1,545
Other Financing Sources (Uses):				
Transfer (out)	(31,744)	(31,744)	(31,744)	-
Net change in cash balance	-	-	1,545	1,545
Cash balance, beginning of year	-	-	-	-
Cash balance, end of year	\$ -	\$ -	\$ 1,545	\$ 1,545

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
 RETIRED SENIOR VOLUNTEER PROGRAM SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 52,686	\$ 52,686	\$ 47,034	\$ (5,652)
Expenditures:				
Current:				
Health and welfare	<u>52,519</u>	<u>52,519</u>	<u>50,966</u>	<u>1,553</u>
Net change in cash balance	167	167	(3,932)	(4,099)
Cash balance, beginning of year	<u>10,708</u>	<u>10,708</u>	<u>10,708</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 10,875</u></u>	<u><u>\$ 10,875</u></u>	<u><u>\$ 6,776</u></u>	<u><u>\$ (4,099)</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SPORTS COMPLEX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Interest	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Culture and recreation	53,852	53,852	33,408	20,444
Capital outlay	99,206	99,206	31,576	67,630
Total expenditures	<u>153,058</u>	<u>153,058</u>	<u>64,984</u>	<u>88,074</u>
Excess (deficiency) of revenues over expenditures	(153,058)	(153,058)	(64,984)	88,074
Other Financing Sources (Uses):				
Bond proceeds	894,592	894,592	-	(894,592)
Net change in cash balance	741,534	741,534	(64,984)	(806,518)
Cash balance, beginning of year	-	-	-	-
Cash repaid to joint water and sewer fund	-	-	(619,219)	(619,219)
Cash advanced from general fund	-	-	684,203	684,203
Cash balance, end of year	<u>\$ 741,534</u>	<u>\$ 741,534</u>	<u>\$ -</u>	<u>\$ (741,534)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
WIPP ACCELERATION IMPACT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 2,942,127	\$ 2,942,127	\$ 700,000	\$ (2,242,127)
Expenditures:				
Current:				
Economic development	2,503,249	2,503,249	937,296	1,565,953
Capital outlay	<u>1,535,538</u>	<u>1,535,538</u>	<u>391,161</u>	<u>1,144,377</u>
Total expenditures	<u>4,038,787</u>	<u>4,038,787</u>	<u>1,328,457</u>	<u>2,710,330</u>
Net change in cash balance	(1,096,660)	(1,096,660)	(628,457)	468,203
Cash balance, beginning of year	<u>1,197,226</u>	<u>1,197,226</u>	<u>1,197,226</u>	<u>-</u>
Cash balance, end of year	<u>\$ 100,566</u>	<u>\$ 100,566</u>	<u>\$ 568,769</u>	<u>\$ 468,203</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	E-911 Grant Fund	Home Program Fund	Fire Protection Fund	Recreation Fund
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available to appropriation" from the budgetary comparison statement.	\$ 157,896	\$ 160,161	\$ 305,718	\$ 42,969
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	-	9,410	-	2,359
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 157,896</u>	<u>\$ 169,571</u>	<u>\$ 305,718</u>	<u>\$ 45,328</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 158,747	\$ 148,819	\$ 276,195	\$ 267,156
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	-	-	5,194	1,020
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	-	-	-	(888)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 158,747</u>	<u>\$ 148,819</u>	<u>\$ 281,389</u>	<u>\$ 267,288</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ -	\$ -	\$ (12,650)	\$ 208,620
Differences - Budget to GAAP:				
None	-	-	-	-
Total other financing sources (uses) as reported of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,650)</u>	<u>\$ 208,620</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Lodger's Tax Fund	Airport Fund	Emergency Medical Services Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available to appropriation" from the budgetary comparison statement.	\$ 690,229	\$ 1,141,765	\$ 20,000
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>74,197</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 764,426</u>	<u>\$ 1,141,765</u>	<u>\$ 20,000</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 397,784	\$ 1,237,248	\$ 20,000
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	3,927	17,428	-
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 401,711</u>	<u>\$ 1,254,676</u>	<u>\$ 20,000</u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ (100,000)	\$ -	\$ -
Differences - Budget to GAAP:			
For financial reporting purposes, the City considers the purchase of capital assets by the general fund for the law enforcement fund as a transfer in. For budgetary purposes, the City reflects the purchases within the general fund.	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported of revenues, expenditures and balances - special revenue funds	<u>\$ (100,000)</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Local Government Corrections Fund	Special Police Program Fund	Law Enforcement Protection Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available to appropriation" from the budgetary comparison statement.	\$ 118,293	\$ 2,611	\$ 60,600
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 118,293</u>	<u>\$ 2,611</u>	<u>\$ 60,600</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 147,065	\$ 4,433	\$ 27,311
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	24,300	-	-
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 171,365</u>	<u>\$ 4,433</u>	<u>\$ 27,311</u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 55,101	\$ -	\$ (31,744)
Differences - Budget to GAAP:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported of revenues, expenditures and balances - special revenue funds	<u>\$ 55,101</u>	<u>\$ -</u>	<u>\$ (31,744)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	RSVP Fund	Sports Complex Fund	WIPP Acceleration Impact Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available to appropriation" from the budgetary comparison statement.	\$ 47,034	\$ -	\$ 700,000
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>233</u>	<u>40,115</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 47,267</u>	<u>\$ 40,115</u>	<u>\$ 700,000</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 50,966	\$ 64,984	\$ 1,328,457
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	1,550	(17,949)	566,342
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>1,259</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 53,775</u>	<u>\$ 47,035</u>	<u>\$ 1,894,799</u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ -	\$ -	\$ -
Differences - Budget to GAAP:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported of revenues, expenditures and balances - special revenue funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
PROJECT IMPACT CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Capital outlay	<u>25,679</u>	<u>25,679</u>	<u>25,679</u>	<u>-</u>
Net change in cash balance	(25,679)	(25,679)	(25,679)	-
Cash balance, beginning of year	<u>25,679</u>	<u>25,679</u>	<u>25,679</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
PARK IMPROVEMENT CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 42,865	\$ 50,860	\$ 37,241	\$ (13,619)
Charges for services	3,500	3,500	5,400	1,900
Miscellaneous	-	1,000	2,000	1,000
Total revenue	46,365	55,360	44,641	(10,719)
Expenditures:				
Current:				
Culture and recreation	27,800	28,800	27,854	946
Capital outlay	5,000	12,995	12,995	-
Total expenditures	32,800	41,795	40,849	946
Net change in cash balance	13,565	13,565	3,792	(9,773)
Cash balance, beginning of year	75,495	75,495	75,495	-
Cash balance, end of year	<u>\$ 89,060</u>	<u>\$ 89,060</u>	<u>\$ 79,287</u>	<u>\$ (9,773)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SEWER SYSTEM IMPROVEMENT CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 8,145	\$ 8,145
Expenditures:				
Current:				
Public works	247,063	247,747	167,968	79,779
Capital outlay	<u>522,660</u>	<u>613,381</u>	<u>609,373</u>	<u>4,008</u>
Total expenditures	<u>769,723</u>	<u>861,128</u>	<u>777,341</u>	<u>83,787</u>
Excess (deficiency) of revenues over expenditures	(769,723)	(861,128)	(769,196)	91,932
Other Financing Sources (Uses):				
Transfers in	<u>702,212</u>	<u>982,192</u>	<u>982,192</u>	<u>-</u>
Net change in cash balance	(67,511)	121,064	212,996	91,932
Cash balance, beginning of year	67,510	67,510	67,510	-
Cash advanced from general fund	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ 188,574</u></u>	<u><u>\$ 280,506</u></u>	<u><u>\$ 91,932</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
WATER SYSTEM IMPROVEMENT CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 23,939	\$ 23,939	\$ -	\$ (23,939)
Expenditures:				
Current:				
Public works	45,538	45,538	15,727	29,811
Capital outlay	<u>627,472</u>	<u>677,472</u>	<u>88,054</u>	<u>589,418</u>
Total expenditures	<u>673,010</u>	<u>723,010</u>	<u>103,781</u>	<u>619,229</u>
Excess (deficiency) of revenues over expenditures	(649,071)	(699,071)	(103,781)	595,290
Other Financing Sources (Uses):				
Transfers in	<u>645,785</u>	<u>695,785</u>	<u>645,785</u>	<u>(50,000)</u>
Net change in cash balance	(3,286)	(3,286)	542,004	545,290
Cash balance, beginning of year	3,285	3,285	3,285	-
Cash advanced from general fund	<u>1</u>	<u>1</u>	<u>-</u>	<u>(1)</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 545,289</u></u>	<u><u>\$ 545,289</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
STREET SYSTEM IMPROVEMENT CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 408,000	\$ 408,000	\$ 395,539	\$ (12,461)
Intergovernmental	1,156,258	1,156,258	508,028	(648,230)
Licenses and permits	80,000	80,000	78,264	(1,736)
Miscellaneous	2,000	2,000	314	(1,686)
Total revenue	1,646,258	1,646,258	982,145	(664,113)
Expenditures:				
Current:				
Public works	651,540	651,540	569,616	81,924
Capital outlay	1,253,362	1,253,362	543,146	710,216
Total expenditures	1,904,902	1,904,902	1,112,762	792,140
Excess (deficiency) of revenues over expenditures	(258,644)	(258,644)	(130,617)	128,027
Other Financing Sources (Uses):				
Transfers in	191,711	191,711	191,711	-
Transfers (out)	4,600	4,600	-	(4,600)
Total other financing sources (uses)	196,311	196,311	191,711	(4,600)
Net change in cash balance	(62,333)	(62,333)	61,094	123,427
Cash balance, beginning of year	71,485	71,485	71,485	-
Cash balance, end of year	\$ 9,152	\$ 9,152	\$ 132,579	\$ 123,427

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATE LEGISLATIVE CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 13,169,466	\$ 13,251,466	\$ 2,460,885	\$ (10,790,581)
Miscellaneous	-	-	1,557	1,557
Total revenue	13,169,466	13,251,466	2,462,442	(10,789,024)
Expenditures:				
Current:				
Culture and recreation	354,184	354,184	308,698	45,486
Health and welfare	29,474	29,474	29,474	-
Capital outlay	11,834,960	11,988,525	1,901,421	10,087,104
Total expenditures	12,218,618	12,372,183	2,239,593	10,132,590
Excess (deficiency) of revenues over expenditures	950,848	879,283	222,849	(656,434)
Other Financing Sources (Uses):				
Transfers in	-	-	72,195	72,195
Net change in cash balance	950,848	879,283	295,044	(584,239)
Cash balance, beginning of year	-	-	-	-
Cash repaid to joint water and sewer fund	-	-	(950,845)	(950,845)
Cash advanced from general fund	-	-	655,801	655,801
Cash balance, end of year	<u>\$ 950,848</u>	<u>\$ 879,283</u>	<u>\$ -</u>	<u>\$ (879,283)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
CIEP CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 164,127	\$ 164,127
Expenditures:				
Current:				
Economic development	-	139,797	70,956	68,841
Capital outlay	629,832	643,425	120,255	523,170
Total expenditures	629,832	783,222	191,211	592,011
Excess (deficiency) of revenues over expenditures	(629,832)	(783,222)	(27,084)	756,138
Other Financing Sources (Uses):				
Transfers in	475,000	475,000	475,000	-
Transfers (out)	-	(50,000)	-	50,000
Total other financing sources (uses)	475,000	425,000	475,000	50,000
Net change in cash balance	(154,832)	(358,222)	447,916	806,138
Cash balance, beginning of year	237,171	237,171	237,171	-
Cash advanced from general fund	-	121,051	-	(121,051)
Cash balance, end of year	<u>\$ 82,339</u>	<u>\$ -</u>	<u>\$ 685,087</u>	<u>\$ 685,087</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
2002 BOND ACQUISITION CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Other Financing Sources (Uses):				
Transfers (out)	<u>(5,250)</u>	<u>(5,250)</u>	<u>(5,250)</u>	<u>-</u>
Net change in cash balance	(5,250)	(5,250)	(5,250)	-
Cash balance, beginning of year	<u>5,250</u>	<u>5,250</u>	<u>5,250</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
 OLD LANDFILL CLOSURE CAPITAL PROJECT FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Public works	53,300	53,700	40,073	13,627
Current:	<u>60,000</u>	<u>59,600</u>	<u>-</u>	<u>59,600</u>
Total expenditures	<u>113,300</u>	<u>113,300</u>	<u>40,073</u>	<u>73,227</u>
(Deficiency) of revenues over expenditures	(113,300)	(113,300)	(40,073)	73,227
Other Financing Sources (Uses):				
Transfers in	<u>75,543</u>	<u>75,543</u>	<u>75,543</u>	<u>-</u>
Net change in cash balance	(37,757)	(37,757)	35,470	73,227
Cash balance, beginning of year	<u>37,757</u>	<u>37,757</u>	<u>37,757</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 73,227</u></u>	<u><u>\$ 73,227</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SANDPOINT LANDFILL CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 71,426	\$ 71,426	\$ 44,354	\$ (27,072)
Expenditures:				
Current:				
Public works	<u>52,200</u>	<u>52,200</u>	<u>40,979</u>	<u>11,221</u>
Net change in cash balance	19,226	19,226	3,375	(15,851)
Cash balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance, end of year	<u>\$ 19,226</u>	<u>\$ 19,226</u>	<u>\$ 3,375</u>	<u>\$ (15,851)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
FEDERAL PROJECTS CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 745,690	\$ 2,459,179	\$ 865,194	\$ (1,593,985)
Expenditures:				
Current:				
Capital outlay	<u>750,305</u>	<u>2,755,793</u>	<u>2,563,022</u>	<u>192,771</u>
Excess (deficiency) of revenues over expenditures	(4,615)	(296,614)	(1,697,828)	(1,401,214)
Other Financing Sources (Uses):				
Transfer in	<u>-</u>	<u>1,741,999</u>	<u>1,741,999</u>	<u>-</u>
Net change in cash balance	(4,615)	1,445,385	44,171	(1,401,214)
Cash balance, beginning of year	4,614	4,614	4,614	-
Cash advanced from general fund	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ 1,449,999</u></u>	<u><u>\$ 48,785</u></u>	<u><u>\$ (1,401,214)</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NATIONAL CAVE-KARST INSTITUTE CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Project Impact Fund	Park Improvement Fund	Sewer System Improvement Fund	Water System Improvement Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available to appropriation" from the budgetary comparison statement.	\$ -	\$ 44,641	\$ 8,145	\$ -
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>-</u>	<u>(25)</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - capital projects funds	<u>\$ -</u>	<u>\$ 44,616</u>	<u>\$ 8,145</u>	<u>\$ -</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 25,679	\$ 40,849	\$ 777,341	\$ 103,781
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>(627,811)</u>	<u>(27,258)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - capital projects funds	<u>\$ 25,679</u>	<u>\$ 40,849</u>	<u>\$ 149,530</u>	<u>\$ 76,523</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ -	\$ -	\$ 982,192	\$ 645,785
Differences - Budget to GAAP:				
The City budgets for capital improvements to the water and sewer utility systems within the capital project funds. The City chose to transfer the amount capitalized within the water and sewer funds. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>(650,313)</u>	<u>(33,785)</u>
Total other financing sources (uses) as reported of revenues, expenditures and changes in fund balances - capital projects funds.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 331,879</u>	<u>\$ 612,000</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Street System Improvement Fund	State Legislature Fund	CIEP Fund	2002 Bond Acquisition Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available to appropriation" from the budgetary comparison statement.	\$ 982,145	\$ 2,462,442	\$ 164,127	\$ -
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>(48,724)</u>	<u>108,181</u>	<u>(152,527)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - capital projects funds	<u>\$ 933,421</u>	<u>\$ 2,570,623</u>	<u>\$ 11,600</u>	<u>\$ -</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 1,112,762	\$ 2,239,593	\$ 191,211	\$ -
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>54,601</u>	<u>(76,428)</u>	<u>(35,300)</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - capital projects funds	<u>\$ 1,167,363</u>	<u>\$ 2,163,165</u>	<u>\$ 155,911</u>	<u>\$ -</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 191,711	\$ 72,195	\$ 475,000	\$ (5,250)
Differences - Budget to GAAP:				
The City budgets for capital improvements to the various funds within the capital projects funds. The City chose to transfer the amount capitalized within the various funds. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	<u>-</u>	<u>(582,783)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported of revenues, expenditures and changes in fund balances - capital projects funds.	<u>\$ 191,711</u>	<u>\$ (510,588)</u>	<u>\$ 475,000</u>	<u>\$ (5,250)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Old Landfill Closure Fund	Sandpoint Landfill Fund	Federal Projects Fund	National Cave- Karst Institute Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available to appropriation" from the budgetary comparison statement.	\$ -	\$ 44,354	\$ 865,194	\$ -
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>1,321,735</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - capital projects funds	<u>\$ -</u>	<u>\$ 44,354</u>	<u>\$ 2,186,929</u>	<u>\$ -</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 40,073	\$ 40,979	\$ 2,563,023	\$ -
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>14,290</u>	<u>62</u>	<u>(205,438)</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - capital projects funds	<u>\$ 54,363</u>	<u>\$ 41,041</u>	<u>\$ 2,357,585</u>	<u>\$ -</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 75,543	\$ -	\$ 1,741,999	\$ -
Differences - Budget to GAAP:				
The City budgets for capital improvements to the various funds within the capital project funds. The City chose to transfer the amount capitalized within the various funds. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported of revenues, expenditures and changes in fund balances - capital projects funds.	<u>\$ 75,543</u>	<u>\$ -</u>	<u>\$ 1,741,999</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SPORTS COMPLEX DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 802,216	\$ 802,216	\$ 897,142	\$ 94,926
Interest	-	-	10,146	10,146
Total revenues	802,216	802,216	907,288	105,072
Expenditures:				
Current:				
General government	108,100	121,691	121,488	203
Culture and recreation	100,280	100,280	81,160	19,120
Capital outlay	800	800	752	48
Debt service:				
Interest	428,233	428,233	428,233	-
Total expenditures	637,413	651,004	631,633	19,371
Excess of revenues over expenditures	164,803	151,212	275,655	124,443
Other Financing Sources (Uses):				
Transfer in	-	7,879	7,879	-
Net change in cash balance	164,803	159,091	283,534	124,443
Cash balance, beginning of year	842,206	842,206	842,206	-
Cash balance, end of year	<u>\$ 1,007,009</u>	<u>\$ 1,001,297</u>	<u>\$ 1,125,740</u>	<u>\$ 124,443</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
2002 SALES TAX BONDS DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Interest	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Debt service:				
Principal	230,000	230,000	230,000	-
Interest	<u>133,163</u>	<u>133,163</u>	<u>133,162</u>	<u>1</u>
Total expenditures	<u>363,163</u>	<u>363,163</u>	<u>363,162</u>	<u>1</u>
(Deficiency) of revenues over expenditures	(363,163)	(363,163)	(363,162)	1
Other Financing Sources (Uses):				
Transfers in	<u>363,163</u>	<u>363,163</u>	<u>363,163</u>	<u>-</u>
Net change in cash balance	-	-	1	1
Cash balance, beginning of year	<u>18,742</u>	<u>18,742</u>	<u>18,742</u>	<u>-</u>
Cash balance, end of year	<u>\$ 18,742</u>	<u>\$ 18,742</u>	<u>\$ 18,743</u>	<u>\$ 1</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Sports Complex Fund	2002 Sales Tax Bonds Fund
	<u> </u>	<u> </u>
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "available to appropriation" from the budgetary comparison statement.	\$ 907,288	\$ -
Differences - Budget to GAAP:		
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>28,802</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - debt service funds	<u>\$ 936,090</u>	<u>\$ -</u>
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 631,633	\$ 363,162
Differences - Budget to GAAP:		
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	(49,408)	-
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>(1,299)</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - debt service funds	<u>\$ 580,926</u>	<u>\$ 363,162</u>
Other Sources (Uses) of Resources:		
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 7,879	\$ 363,163
Differences - Budget to GAAP:		
None.	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances - debt service funds.	<u>\$ 7,879</u>	<u>\$ 363,163</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2008

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Centre Fund	Cemetery Fund	Total
Assets:					
Current assets:					
Cash	\$ 39,685	\$ 234,574	\$ 40	\$ 57,188	\$ 331,487
Accounts receivable	-	60,685	-	-	60,685
Non-Current assets:					
Land	-	49,851	110,000	7,276	167,127
Buildings	-	714,348	1,906,599	271,218	2,892,165
Improvements	-	-	-	304,068	304,068
Equipment	-	571,040	155,805	320	727,165
Less accumulated depreciation	-	(442,046)	(676,968)	(150,686)	(1,269,700)
Total capital assets, net	-	893,193	1,495,436	432,196	2,820,825
Total assets	39,685	1,188,452	1,495,476	489,384	3,212,997
Liabilities:					
Current liabilities:					
Accounts payable	-	9,457	8,146	37	17,640
Accrued salaries	-	16,573	1,791	-	18,364
Current maturities of:					
Compensated absences	-	5,608	-	-	5,608
Total current liabilities	-	31,638	9,937	37	41,612
Non-Current liabilities:					
Compensated absences	-	3,334	975	-	4,309
Total liabilities	-	34,972	10,912	37	45,921
Net assets:					
Invested in capital assets	-	893,193	1,495,436	432,196	2,820,825
Unrestricted	39,685	260,287	(10,872)	57,151	346,251
Total net assets	\$ 39,685	\$ 1,153,480	\$ 1,484,564	\$ 489,347	\$ 3,167,076

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Centre Fund	Cemetery Fund	Total
Operating Revenues:					
Charges for services	\$ 9,294	\$ 54,843	\$ -	\$ 148,152	\$ 212,289
Operating Expenses:					
Personnel services	-	356,185	44,781	-	400,966
General operating	8,910	127,929	106,413	290,452	533,704
Depreciation	-	85,489	72,784	15,354	173,627
Total operating expenses	8,910	569,603	223,978	305,806	1,108,297
Operating income (loss)	384	(514,760)	(223,978)	(157,654)	(896,008)
Non-Operating Revenues (Expenses):					
Intergovernmental	-	400,256	-	-	400,256
Miscellaneous	2,997	-	-	-	2,997
Total non-operating (expenses)	2,997	400,256	-	-	403,253
Income (loss) before transfers	3,381	(114,504)	(223,978)	(157,654)	(492,755)
Transfers:					
Transfers in	-	206,573	332,795	342,039	881,407
Transfers (out)	-	(19,975)	(705)	-	(20,680)
Total transfers	-	186,598	332,090	342,039	860,727
Change in net assets	3,381	72,094	108,112	184,385	367,972
Net assets, beginning of year	36,304	1,090,970	1,377,830	329,951	2,835,055
Restatements	-	(9,584)	(1,378)	(24,989)	(35,951)
Net assets, beginning of year restated	36,304	1,081,386	1,376,452	304,962	2,799,104
Net assets, end of year	<u>\$ 39,685</u>	<u>\$ 1,153,480</u>	<u>\$ 1,484,564</u>	<u>\$ 489,347</u>	<u>\$ 3,167,076</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Centre Fund	Cemetery Fund	Total
Cash Flows From Operating Activities:					
Cash received from customers	\$ 9,294	\$ 49,969	\$ (1,350)	\$ 148,152	\$ 206,065
Cash payments to suppliers for goods and services	(8,910)	(119,346)	(98,407)	(290,439)	(517,102)
Cash payments to employees for services	-	(348,042)	(44,303)	-	(392,345)
Net cash provided (used) by operating activities	384	(417,419)	(144,060)	(142,287)	(703,382)
Cash Flows (Used) by Non-Capital Financing Activities:					
Cash received from intergovernmental sources	-	279,952	-	-	279,952
Cash received from miscellaneous sources	2,997	-	-	-	2,997
Net transfers in (out)	-	186,598	137,997	181,453	506,048
Net cash provided by non-capital and financing activities	3,381	466,550	137,997	181,453	788,997
Cash Flows From Capital and Related Financing Activities:					
Acquisition of capital assets	-	(17,009)	-	-	(17,009)
Net increase (decrease) in cash	3,381	32,122	(6,063)	39,166	68,606
Cash and cash equivalents, beginning of year	36,304	202,452	6,103	18,022	262,881
Cash and cash equivalents, end of year	<u>\$ 39,685</u>	<u>\$ 234,574</u>	<u>\$ 40</u>	<u>\$ 57,188</u>	<u>\$ 331,487</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$ 384	\$ (514,760)	\$ (223,978)	\$ (157,654)	\$ (896,008)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	-	85,489	72,784	15,354	173,627
Change in Assets and Liabilities:					
(Increase) in accounts receivable	-	(4,874)	-	-	(4,874)
Increase in accounts payable	-	8,583	8,005	13	16,601
Increase in accrued salaries	-	6,592	35	-	6,627
Increase in compensated absences	-	1,551	444	-	1,995
(Decrease) in customer rental deposits	-	-	(1,350)	-	(1,350)
Total adjustments	-	97,341	79,918	15,367	192,626
Net cash provided (used) by operating activities	<u>\$ 384</u>	<u>\$ (417,419)</u>	<u>\$ (144,060)</u>	<u>\$ (142,287)</u>	<u>\$ (703,382)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SOLID WASTE ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 3,513,351	\$ 3,513,351	\$ 3,449,139	\$ (64,212)
Operating Expenses:				
Personnel services	1,365,600	1,427,876	1,124,088	303,788
General operating	1,565,018	1,565,018	952,021	612,997
Capital outlay	22,000	22,000	21,336	664
Total operating expenses	<u>2,952,618</u>	<u>3,014,894</u>	<u>2,097,445</u>	<u>917,449</u>
Operating income	560,733	498,457	1,351,694	853,237
Non-Operating Revenues (Expenses):				
State shared taxes	567,135	567,135	602,718	35,583
Intergovernmental	556,100	556,100	202,673	(353,427)
Interest	9,000	9,000	51,379	42,379
Retirement of debt	(65,592)	(65,592)	(65,591)	1
Total non-operating revenues (expenses)	<u>1,066,643</u>	<u>1,066,643</u>	<u>791,179</u>	<u>(275,464)</u>
Income before other financing sources (uses)	1,627,376	1,565,100	2,142,873	577,773
Other Financing Sources (Uses):				
Transfer in	173,276	173,276	173,276	-
Transfer (out)	(1,825,561)	(1,825,561)	(1,825,561)	-
Total other financing sources (uses)	<u>(1,652,285)</u>	<u>(1,652,285)</u>	<u>(1,652,285)</u>	<u>-</u>
Net change in cash balance	(24,909)	(87,185)	490,588	577,773
Cash balance, beginning of year	1,755,237	1,755,237	1,755,237	-
Changes in Investment Held Loan Fund:				
Investments used to retire debt	-	-	(3,612)	(3,612)
Cash balance, end of year	<u>\$ 1,730,328</u>	<u>\$ 1,668,052</u>	<u>\$ 2,242,213</u>	<u>\$ 574,161</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
JOINT WATER FUND & SEWER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 7,314,479	\$ 7,344,479	\$ 7,511,871	\$ 167,392
Operating Expenses:				
Personnel services	2,656,200	2,791,202	2,451,664	339,538
General operating	2,339,460	2,396,010	2,085,606	310,404
Capital outlay	997,659	1,172,109	292,374	879,735
Total operating expenses	<u>5,993,319</u>	<u>6,359,321</u>	<u>4,829,644</u>	<u>1,529,677</u>
Operating income	1,321,160	985,158	2,682,227	1,697,069
Non-Operating Revenues (Expenses):				
Interest income	250,000	250,000	629,892	379,892
Sale of assets	4,000	4,000	1,640	(2,360)
Retirement of debt	(950,000)	(950,000)	(950,000)	-
Interest expense	(678,365)	(678,365)	(678,365)	-
Total non-operating revenues (expenses)	<u>(1,374,365)</u>	<u>(1,374,365)</u>	<u>(996,833)</u>	<u>377,532</u>
Income (loss) before other financing sources (uses)	(53,205)	(389,207)	1,685,394	2,074,601
Other Financing Sources (Uses):				
Transfer in	1,628,365	1,763,367	1,763,353	(14)
Transfer (out)	(3,685,428)	(3,685,428)	(3,685,428)	-
Total other financing sources (uses)	<u>(2,057,063)</u>	<u>(1,922,061)</u>	<u>(1,922,075)</u>	<u>(14)</u>
Net change in cash balance	(2,110,268)	(2,311,268)	(236,681)	2,074,587
Cash balance, beginning of year	2,911,654	2,911,654	2,911,654	-
Cash converted to investments	-	-	(1,855,178)	(1,855,178)
Cash repaid from other funds	-	-	1,570,064	1,570,064
Cash balance, end of year	<u>\$ 801,386</u>	<u>\$ 600,386</u>	<u>\$ 2,389,859</u>	<u>\$ 1,789,473</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
MUSEUM GIFT SHOP ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 12,000	\$ 12,000	\$ 9,294	\$ (2,706)
Operating Expenses:				
General operating	16,450	17,450	8,910	8,540
Operating income (loss)	(4,450)	(5,450)	384	5,834
Non-Operating Revenues (Expenses):				
Miscellaneous	750	1,750	2,997	1,247
Net change in cash balance	(3,700)	(3,700)	3,381	7,081
Cash balance, beginning of year	36,304	36,304	36,304	-
Cash balance, end of year	<u>\$ 32,604</u>	<u>\$ 32,604</u>	<u>\$ 39,685</u>	<u>\$ 7,081</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
MUNICIPAL TRANSIT ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 44,000	\$ 44,000	\$ 49,969	\$ 5,969
Operating Expenses:				
Personnel services	421,500	428,073	348,042	80,031
General operating	140,668	140,668	119,346	21,322
Capital outlay	35,188	35,188	17,009	18,179
Total operating expenses	<u>597,356</u>	<u>603,929</u>	<u>484,397</u>	<u>119,532</u>
Operating income (loss)	(553,356)	(559,929)	(434,428)	125,501
Non-Operating Revenues (Expenses):				
Intergovernmental	<u>279,400</u>	<u>279,400</u>	<u>279,952</u>	<u>552</u>
Income (loss) before other financing sources (uses)	(273,956)	(280,529)	(154,476)	126,053
Other Financing Sources (Uses):				
Transfer in	200,000	206,573	206,573	-
Transfer (out)	<u>(19,975)</u>	<u>(19,975)</u>	<u>(19,975)</u>	<u>-</u>
Total other financing sources (uses)	<u>180,025</u>	<u>186,598</u>	<u>186,598</u>	<u>-</u>
Net change in cash balance	(93,931)	(93,931)	32,122	126,053
Cash balance, beginning of year	<u>202,452</u>	<u>202,452</u>	<u>202,452</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 108,521</u></u>	<u><u>\$ 108,521</u></u>	<u><u>\$ 234,574</u></u>	<u><u>\$ 126,053</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
PERFORMING ARTS CENTRE ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Operating Expenses:				
Personnel services	44,000	44,325	44,303	22
General operating	98,000	100,300	98,407	1,893
Total operating expenses	142,000	144,625	142,710	1,915
Operating (loss)	(142,000)	(144,625)	(142,710)	1,915
Non-Operating Revenues (Expenses):				
Miscellaneous	-	2,754	-	(2,754)
Miscellaneous	-	-	(1,350)	(1,350)
Total non-operating revenues (expenses)	-	2,754	(1,350)	(4,104)
(Loss) before other financing sources (uses)	(142,000)	(141,871)	(144,060)	(2,189)
Other Financing Sources (Uses):				
Transfer in	136,602	138,702	138,702	-
Transfer (out)	(705)	(705)	(705)	-
Total other financing sources (uses)	135,897	137,997	137,997	-
Net change in cash balance	(6,103)	(3,874)	(6,063)	(2,189)
Cash balance, beginning of year	6,103	6,103	6,103	-
Cash balance, end of year	\$ -	\$ 2,229	\$ 40	\$ (2,189)

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
CEMETERY ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 150,300	\$ 150,300	\$ 148,152	\$ (2,148)
Operating Expenses:				
General operating	349,475	349,475	290,439	59,036
Operating (loss)	(199,175)	(199,175)	(142,287)	56,888
Other Financing Sources (Uses):				
Transfer in	181,453	181,453	181,453	-
Net change in cash balance	(17,722)	(17,722)	39,166	56,888
Cash balance, beginning of year	18,022	18,022	18,022	-
Cash balance, end of year	\$ 300	\$ 300	\$ 57,188	\$ 56,888

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD**
RECONCILIATION BUDGETARY COMPARISON SCHEDULE
AND STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Solid Waste Fund	Joint Water and Sewer Fund	Museum Gift Shop Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Operating Resources:			
Actual amounts (budgetary basis) "available to appropriation" from the budgetary comparison schedule.	\$ 3,449,139	\$ 7,511,871	\$ 9,294
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenue for budgetary basis but are considered revenue for financial purposes.	(7,908)	(1,986)	-
For budgetary purposes the City records the receipt of miscellaneous reimbursements for damages of City property as charges for services. For financial reporting the City reflect such reimbursements as a reduction of expenses.	<u>(420)</u>	<u>(2,797)</u>	<u>-</u>
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets	<u>\$ 3,440,811</u>	<u>\$ 7,507,088</u>	<u>\$ 9,294</u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 2,097,445	\$ 4,829,644	\$ 8,910
Differences - Budget to GAAP:			
Changes in the consumable inventories are not accounted for within the budgetary basis. The increase in inventories adds to the operating expenses for financial reporting purposes.	-	6,966	-
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenses for financial reporting purposes.	(17,547)	71,154	-
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenses for financial reporting purposes.	(9,520)	7,874	-
For budgetary purposes, the City records the receipt of miscellaneous reimbursements for damages of City property as charges for services. For financial reporting, the City reflects such reimbursements as a reduction of expenses.	(420)	(2,797)	-
The City budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes.	(21,336)	(292,374)	-
Depreciation and amortization expenses are not considered an outflow of operating resources for budgetary basis but are considered expenses for financial reporting purposes.	220,274	1,366,865	-
The City budgets on going landfill post closure expenses as a current year expenditure. For financial reporting purposes, the City has recognized the projected liability as the landfill was operating.	<u>236,517</u>	<u>-</u>	<u>-</u>
Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 2,505,413</u>	<u>\$ 5,987,332</u>	<u>\$ 8,910</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY COMPARISON SCHEDULE
AND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Solid Waste Fund	Joint Water and Sewer Fund	Museum Gift Shop Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Non-Operating Resources:			
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 856,770	\$ 634,329	\$ 2,997
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for budgetary basis but are considered revenue for financial reporting purposes.	52,210	(107,305)	-
For budgetary purposes, the City does not consider the disposal of capital assets as a use of non-operating sources. For financial reporting, the City reflects the net book value of the disposed assets as a non-operating revenue.	<u>-</u>	<u>1,640</u>	<u>-</u>
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 908,980</u>	<u>\$ 528,664</u>	<u>\$ 2,997</u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ (65,591)	\$ (1,628,365)	\$ -
Differences - Budget to GAAP:			
For budgetary purposes, the City accounts for the principal payment as a reduction of debt expenditure. For financial reporting purposes the payment of debt is reflected as a reduction of a liability.	51,978	950,000	-
The City budgets for interest on long-term debt paid for during the current accounting period. Accrual of interest payable is not included in the budgetary basis but are expenses for financial reporting purposes.	<u>(192)</u>	<u>(29,137)</u>	<u>-</u>
Total non-operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets	<u>\$ (13,805)</u>	<u>\$ (707,502)</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY COMPARISON SCHEDULE
AND STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Solid Waste Fund</u>	<u>Joint Water and Sewer Fund</u>	<u>Museum Gift Shop Fund</u>
Other Sources of Resources:			
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	\$ 173,276	\$ 1,763,353	\$ -
Differences - Budget to GAAP:			
During the fiscal year, the City purchased capital within the various capital projects funds. The City chose to transfer the amount capitalized from the various capital projects funds to the respective enterprise fund. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	<u>54,590</u>	<u>859,098</u>	<u>-</u>
Total other sources of resources as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ 227,866</u>	<u>\$ 2,622,451</u>	<u>\$ -</u>
Other Uses of Resources:			
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ (1,825,561)	\$ (3,685,428)	\$ -
Differences - Budget to GAAP:			
None.	<u>-</u>	<u>-</u>	<u>-</u>
Total other (uses) of resources as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ (1,825,561)</u>	<u>\$ (3,685,428)</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY COMPARISON SCHEDULE
AND STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Municipal Transit Fund	Performing Arts Centre Fund	Cemetery Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Operating Resources:			
Actual amounts (budgetary basis) "available to appropriation" from the budgetary comparison schedule.	\$ 49,969	\$ -	\$ 148,152
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenue for budgetary basis but are considered revenue for financial purposes.	<u>4,874</u>	<u>-</u>	<u>-</u>
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 54,843</u>	<u>\$ -</u>	<u>\$ 148,152</u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 484,397	\$ 142,710	\$ 290,439
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenses for financial reporting purposes.	9,238	8,005	12
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenses for financial reporting purposes.	8,143	478	-
The City budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes.	(17,663)	-	-
Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes.	<u>85,488</u>	<u>72,785</u>	<u>15,355</u>
Total operating expenditures as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 569,603</u>	<u>\$ 223,978</u>	<u>\$ 305,806</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY COMPARISON SCHEDULE
AND STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Municipal Transit Fund</u>	<u>Performing Arts Centre Fund</u>	<u>Cemetery Fund</u>
Sources/Inflows of Non-Operating Resources:			
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 279,952	\$ -	\$ -
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenue for budgetary basis but are considered revenue for financial reporting purposes.	55,812	-	-
During the fiscal year, the City received assets purchased by others and not recorded. The City receipt of the assets are not considered an inflow or revenues for budgetary basis.	<u>64,493</u>	<u>-</u>	<u>-</u>
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 400,257</u>	<u>\$ -</u>	<u>\$ -</u>
Uses/Outflows of Non-Operating Resources:			
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ -	\$ (1,350)	\$ -
Differences - Budget to GAAP:			
During the current year, the City reimbursed rental deposits for the City's Performing Arts Centre facility. The payment of the deposits are reflected as an expenditure for the budgetary basis of the accounting. The expenditure is not reflected as an expense for financial reporting purposes.	<u>-</u>	<u>1,350</u>	<u>-</u>
Total non-operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY COMPARISON SCHEDULE
AND STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Municipal Transit Fund</u>	<u>Performing Arts Centre Fund</u>	<u>Cemetery Fund</u>
Other Sources of Resource:			
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	\$ 206,573	\$ 138,702	\$ 181,453
Differences - Budget to GAAP:			
During the fiscal year, the City purchased capital within the general and state legislative funds. The City chose to transfer the amount capitalized from the general and state legislative funds to the respective enterprise fund. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	<u>-</u>	<u>194,093</u>	<u>160,586</u>
Total other sources of resources as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ 206,573</u>	<u>\$ 332,795</u>	<u>\$ 342,039</u>
Other Uses of Resources:			
Actual amounts (budgetary basis) "transfers out" from the budgetary comparison schedule.	\$ (19,975)	\$ (705)	\$ -
Differences - Budget to GAAP:			
None.	<u>-</u>	<u>-</u>	<u>-</u>
Total other (uses) resources as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ (19,975)</u>	<u>\$ (705)</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2008

	<u>Computer Lease Equipment Fund</u>	<u>General Insurance Fund</u>	<u>Group Health Insurance Fund</u>	<u>Total</u>
Assets:				
Current assets:				
Cash	\$ 13,314	\$ 767,860	\$ 1,631,582	\$ 2,412,756
Accrued interest receivable	-	2,273	18,388	20,661
Restricted assets:				
Cash	-	500,000	700,000	1,200,000
Total assets	13,314	1,270,133	2,349,970	3,633,417
Liabilities:				
Current liabilities:				
Accounts payable	8,975	68,604	-	77,579
Total liabilities	8,975	68,604	-	77,579
Net assets:				
Unrestricted	4,339	1,201,529	2,349,970	3,555,838
Total net assets	<u>\$ 4,339</u>	<u>\$ 1,201,529</u>	<u>\$ 2,349,970</u>	<u>\$ 3,555,838</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2008

	Computer Lease Equipment Fund	General Insurance Fund	Group Health Insurance Fund	Total
Operating Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Operating Expenses:				
General operating	134,396	1,348,369	2,008,310	3,491,075
Operating (loss)	(134,396)	(1,348,369)	(2,008,310)	(3,491,075)
Non-Operating Revenues (Expenses):				
Interest	-	28,158	28,998	57,156
Miscellaneous	-	14,361	3,360,900	3,375,261
Total non-operating revenues (expenes)	-	42,519	3,389,898	3,432,417
Income (loss) before transfers	(134,396)	(1,305,850)	1,381,588	(58,658)
Transfers:				
Transfers in	130,221	1,504,375	-	1,634,596
Transfers (out)	-	-	(1,013,406)	(1,013,406)
Total transfers	130,221	1,504,375	(1,013,406)	621,190
Change in net assets	(4,175)	198,525	368,182	562,532
Net assets, beginning of year	8,514	1,003,004	1,981,788	2,993,306
Net assets, end of year	\$ 4,339	\$ 1,201,529	\$ 2,349,970	\$ 3,555,838

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
JUNE 30, 2008

	Computer Lease Equipment Fund	General Insurance Fund	Group Health Insurance Fund	Total
Cash Flows From Operating Activities:				
Cash payments to suppliers for goods and services	\$ (125,421)	\$ (1,279,765)	\$ (2,008,310)	\$ (3,413,496)
Cash Flows for Non-Capital and Financing Activities:				
Cash received from miscellaneous sources	-	23,518	3,383,985	3,407,503
Net transfers in (out)	130,221	1,504,375	(1,013,406)	621,190
Net cash provided by non-capital and financing activities	130,221	1,527,893	2,370,579	4,028,693
Cash Flows From Investing Activities:				
Interest income	-	33,993	25,421	59,414
Purchase of certificates of deposit	-	(300,000)	(200,000)	(500,000)
Net cash (used) by investing activities	-	(266,007)	(174,579)	(440,586)
Net increase (decrease) in cash	4,800	(17,879)	187,690	174,611
Cash and cash equivalents, beginning of year	8,514	985,739	1,943,892	2,938,145
Cash and cash equivalents, end of year	<u>\$ 13,314</u>	<u>\$ 967,860</u>	<u>\$ 2,131,582</u>	<u>\$ 3,112,756</u>
Displayed as:				
Cash	\$ 13,314	\$ 767,860	\$ 1,631,582	\$ 2,412,756
Restricted cash	-	500,000	700,000	1,200,000
Time deposits not considered cash equivalents	-	(300,000)	(200,000)	(500,000)
	<u>\$ 13,314</u>	<u>\$ 967,860</u>	<u>\$ 2,131,582</u>	<u>\$ 3,112,756</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating (loss)	\$ (134,396)	\$ (1,348,369)	\$ (2,008,310)	\$ (3,491,075)
Change in Assets and Liabilities:				
Decrease in accounts payable	8,975	68,604	-	77,579
Net cash (used) by operating activities	<u>\$ (125,421)</u>	<u>\$ (1,279,765)</u>	<u>\$ (2,008,310)</u>	<u>\$ (3,413,496)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMPUTER LEASE EQUIPMENT INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Operating Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Operating Expenses:				
General operating	<u>130,221</u>	<u>130,221</u>	<u>125,421</u>	<u>4,800</u>
Operating (loss)	(130,221)	(130,221)	(125,421)	4,800
Non-Operating Revenues (Expenses):				
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Loss) before other financing sources (uses)	(130,221)	(130,221)	(125,421)	4,800
Other Financing Sources (Uses):				
Transfers in	<u>130,221</u>	<u>130,221</u>	<u>130,221</u>	<u>-</u>
Net change in cash balance	-	-	4,800	4,800
Cash balance, beginning of year	<u>8,514</u>	<u>8,514</u>	<u>8,514</u>	<u>-</u>
Cash balance, end of year	<u>\$ 8,514</u>	<u>\$ 8,514</u>	<u>\$ 13,314</u>	<u>\$ 4,800</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
GENERAL INSURANCE INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Operating Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Operating Expenses:				
General operating	<u>1,408,811</u>	<u>1,469,399</u>	<u>1,279,765</u>	<u>189,634</u>
Operating (loss)	(1,408,811)	(1,469,399)	(1,279,765)	189,634
Non-Operating Revenue (Expenses):				
Interest income	20,000	20,000	33,993	13,993
Miscellaneous	<u>-</u>	<u>-</u>	<u>23,518</u>	<u>23,518</u>
Total non-operating revenues and (expenses)	<u>20,000</u>	<u>20,000</u>	<u>57,511</u>	<u>37,511</u>
(Loss) before other financing sources (uses)	(1,388,811)	(1,449,399)	(1,222,254)	227,145
Other Financing Sources (Uses):				
Transfers in	<u>1,504,375</u>	<u>1,504,375</u>	<u>1,504,375</u>	<u>-</u>
Net change in cash balance	115,564	54,976	282,121	227,145
Cash balance, beginning of year	<u>485,739</u>	<u>485,739</u>	<u>485,739</u>	<u>-</u>
Cash balance, end of year	<u>\$ 601,303</u>	<u>\$ 540,715</u>	<u>\$ 767,860</u>	<u>\$ 227,145</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
GROUP HEALTH INSURANCE INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Operating Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Operating Expenses:				
General operating	<u>3,306,025</u>	<u>3,306,025</u>	<u>2,008,310</u>	<u>1,297,715</u>
Operating (loss)	(3,306,025)	(3,306,025)	(2,008,310)	1,297,715
Non-Operating Revenue (Expenses):				
Interest income	21,300	21,300	25,421	4,121
Miscellaneous	<u>3,304,025</u>	<u>3,304,025</u>	<u>3,383,985</u>	<u>79,960</u>
Total non-operating revenues and (expenses)	<u>3,325,325</u>	<u>3,325,325</u>	<u>3,409,406</u>	<u>84,081</u>
Income before other financing sources (uses)	19,300	19,300	1,401,096	1,381,796
Other Financing Sources (Uses):				
Transfers (out)	<u>(1,015,811)</u>	<u>(1,015,811)</u>	<u>(1,013,406)</u>	<u>2,405</u>
Net change in cash balance	(996,511)	(996,511)	387,690	1,384,201
Cash balance, beginning of year	<u>1,243,892</u>	<u>1,243,892</u>	<u>1,243,892</u>	<u>-</u>
Cash balance, end of year	<u>\$ 247,381</u>	<u>\$ 247,381</u>	<u>\$ 1,631,582</u>	<u>\$ 1,384,201</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY BASIS COMPARISON SCHEDULE
AND STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Computer Lease Equipment Fund	General Insurance Fund	Group Health Insurance Fund
Sources/Inflows of Operating Resources:			
Actual amounts (budgetary basis) "available to appropriation" from the budgetary comparison schedule.	\$ -	\$ -	\$ -
Differences - Budget to GAAP:			
None.	-	-	-
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 125,421	\$ 1,279,765	\$ 2,008,310
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis, but are expenses for financial reporting purposes.	8,975	68,604	-
Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 134,396</u>	<u>\$ 1,348,369</u>	<u>\$ 2,008,310</u>
Sources/Inflows of Non-Operating Resources:			
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ -	\$ 57,511	\$ 3,409,406
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for budgetary basis, but are considered revenue for financial purposes.	-	(14,992)	(19,508)
Total non-operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ -</u>	<u>\$ 42,519</u>	<u>\$ 3,389,898</u>
Uses/Outflows of Non-Operating Resources:			
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ -	\$ -	\$ -
Differences - Budget to GAAP:			
None.	-	-	-
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Sources of Resource:			
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	\$ 130,221	\$ 1,504,375	\$ -
Differences - Budget to GAAP:			
None.	-	-	-
Total other sources of resources as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 130,221</u>	<u>\$ 1,504,375</u>	<u>\$ -</u>
Other Uses of Resources:			
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ -	\$ -	\$ (1,013,406)
Differences - Budget to GAAP:			
None.	-	-	-
Total other uses of resources as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,013,406)</u>

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

SUPPLEMENTAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2008

<u>Financial Institution/Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Carlsbad National Bank P.O. Box 1359 Carlsbad, New Mexico 88221-1359				
Health Insurance Fund	Checking	\$ 1,631,599	\$ (17)	\$ 1,631,582
Payroll Fund	Checking	405,168	(361,871)	43,297
Debt Service Fund	Checking	219,796	-	219,796
General Operating	CD	300,000	-	300,000
Water & Sewer	CD	300,000	-	300,000
General Operating	CD	250,000	-	250,000
Health Insurance	CD	250,000	-	250,000
Health Insurance	CD	250,000	-	250,000
Sandpoint Landfill Reserve	CD	250,000	-	250,000
General Operating	CD	200,000	-	200,000
Health Insurance	CD	200,000	-	200,000
WC	CD	50,000	-	50,000
Lodger's Tax	CD	30,000	-	30,000
		<u>\$ 4,336,563</u>	<u>\$ (361,888)</u>	<u>\$ 3,974,675</u>
Pioneer Savings Bank P.O. Box 130 Roswell, New Mexico 88202-0130				
General/Water	CD	\$ 400,000	\$ -	\$ 400,000
General	CD	313,862	-	313,862
Water & Sewer	CD	207,900	-	207,900
General	CD	200,000	-	200,000
Sandpoint Closure Reserve	CD	200,000	-	200,000
General	CD	105,034	-	105,034
General	CD	100,000	-	100,000
WC	CD	100,000	-	100,000
		<u>\$ 1,626,796</u>	<u>\$ -</u>	<u>\$ 1,626,796</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2008

<u>Financial Institution/Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Wells Fargo Bank, N.A. Carlsbad Office 115 W. Fox Street Carlsbad, New Mexico 88221				
General Operations	Checking	\$ 11,859,630	\$ (111,368)	\$ 11,748,262
City Fund Investment Account	Checking	666,004	(198,296)	467,708
Permanent Water & Sewer	CD	500,000	-	500,000
General Operating	CD	300,000	-	300,000
Worker's Compensation	CD	250,000	-	250,000
Permanent Water & Sewer	CD	200,000	-	200,000
Permanent Water & Sewer	CD	157,735	-	157,735
General Operating	CD	100,000	-	100,000
Permanent Water & Sewer	CD	100,000	-	100,000
Water & Sewer	CD	100,000	-	100,000
Worker's Compensation	CD	100,000	-	100,000
		<u>\$ 14,333,369</u>	<u>\$ (309,664)</u>	<u>\$ 14,023,705</u>
Western Commerce Bank P.O. Box 1358 Carlsbad, New Mexico 88221-1358				
Construction Account	Checking	\$ 2,624,752	\$ (326,155)	\$ 2,298,597
Federal Projects Fund	Checking	150,685	466,869	617,554
98 Water & Sewer Bond	CD	500,000	-	500,000
General Operating	CD	314,929	-	314,929
General Operating	CD	314,848	-	314,848
98 Water & Sewer Bond	CD	300,000	-	300,000
General Operating	CD	267,001	-	267,001
Water & Sewer	CD	250,000	-	250,000
Sandpoint Closure Reserve	CD	165,000	-	165,000
Sandpoint Closure Reserve	CD	140,000	-	140,000
Sandpoint Closure Reserve	CD	106,822	-	106,822
		<u>\$ 5,134,037</u>	<u>\$ 140,714</u>	<u>\$ 5,274,751</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2008

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

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
FHLB 1287	3133XYBP4	05/25/10	\$ 1,012,500
FHLB 1289	31339XNWO	06/30/10	1,029,429
FHLB 1291	3133XCTV5	09/01/10	1,030,709
FHLB 1250	31339YTG7	02/09/11	<u>1,021,153</u>
Total:			<u>\$ 4,093,791</u>

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

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

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
GNMA II 080418	36225CPC4	06/20/30	\$ 211,612
GNMA 080477	36225CQ74	12/20/30	21,870
GNMA II 080540	36225CS64	09/20/31	124,683
GNMA II 080562	36225CTU0	12/20/31	86,525
FNMA 1 YR TR 648558	31390KQK7	06/01/32	23,764
FNMA ARM 661745	31391BES2	09/01/32	49,351
FNMA 1 YR CMT 759453	31403VWN5	01/01/34	270,297
FNLMC 1 YR CMT 781721	31349S4E0	07/01/34	<u>241,805</u>
Total:			<u>\$ 1,029,907</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2008

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

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
GNSF 781121	36225BG69	12/15/29	\$ 105,654
GNSF 781263	36225BML9	03/15/31	989,200
FNCL 833614	31407LDT1	01/01/36	3,911,968
FNCL 256308	31371MU96	07/01/36	1,201,070
FNCL 256308	31371MU96	07/01/36	592,981
FNCL 256308	31371MU96	07/01/36	566,543
Total:			<u>\$ 7,367,416</u>

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

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

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
GNMA 8233	36202KEE1	06/20/17	\$ 111,435
FHLMC 390318	31346VK73	01/01/21	38,559
GNMA 8809	36202KYE9	07/20/21	10,439
GNMA 8839	36202KZC2	09/20/21	32,743
FNMA 195638	31368PHP3	04/01/22	58,967
GNMA 8228	36202KD93	07/20/23	57,377
GNMA 8280	36202KFV2	09/20/23	58,134
GNMA 8350 "A"	36202KH32	01/20/24	44,852
GNMA 8595	36202KRQ0	02/20/25	75,598
GNMA 8608	36202KR56	03/20/25	232,175
GNMA 8735	36202KV44	09/20/25	60,826
GNMA 412608B	36206JKV5	05/15/26	47,653
FNMA 29139	31361ELU9	07/01/26	48,346
GNMA 8927	36202K4L6	07/20/26	24,420
GNMA 80185 "B"	36225CF35	04/20/28	25,743
GNMA 80200	36225CGJ9	05/20/28	50,462
FNMA 62689 "B"	31362JUN3	06/01/28	41,119
GNMA 80299	36225CKM7	07/20/29	61,321
FNMA 709279	31401H6Q0	06/01/33	217,534
FNMA 807223	31406DYU4	01/01/35	727,916
FNMA 918314	31411YGX5	04/01/37	1,651,307
Total:			<u>\$ 3,676,926</u>

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

SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Grant Number	Award Amount	Expenditures
U.S. Department of Housing and Urban Development				
Home Investment Ptrshps Program	14.239	03-01-CAR-HOR-001	\$ 89,081	\$ 41,560
Home Investment Ptrshps Program	14.239	04-01-CAR-HOR-001	170,500	107,259
EDI-Special Projects Grant (Battered Families Shelter)	14.251	B06SPNM0674	346,500	346,500
EDI-Special Projects Grant (Battered Families Shelter)	14.251	B06SPNM0683	148,500	<u>148,500</u>
Total U.S. Department of Housing and Urban Development				643,819
U.S. Department of the Interior/National Parks Service				
National Cave & Karst Institute	15.XXX	H2360042045	1,956,900	-
U.S. Department of Transportation/ Federal Aviation Administration				
Airport Improvement Program	20.106	3-35-0007-017-2007	1,464,074	1,215,014
U.S. Department of Transportation/Passed Through NM Department of Transportation				
Highway Planning and Construction	20.205	NH-285-1 (5) 34	1,713,488	1,713,488
Highway Planning and Construction	20.205	TPZ-062-A (6) 33	298,420	241,956
Highway Planning and Construction	20.205	TPZ-285-1 (2) 36	175,000	29,605
Federal Transit - Formula Grants	20.507	5311-712	540,900	265,633
Federal Transit - Formula Grants	20.507	5316-712	74,400	71,852
Federal Transit - Formula Grants	20.507	5311-639	531,365	<u>41,358</u>
Total U.S. Department of Transportation/ Passed Through NM Department of Transportation				<u>2,363,892</u>
Total U.S. Department of Transportation				3,578,906
U.S. Department of Energy				
Water and Energy Appropriation Act	81.XXX	DE-FG29-03-AL68371	16,676,000	1,589,158
Corporation for Nat'l and Community Service	94.002	05SRWNM015	44,979	44,979
U.S. Department of Homeland Security/ Federal Emergency Management Agency				
Assistance to Firefighter's Grant	97.044	EMW-2006-FF-04223	322,920	211,140
Assistance to Firefighter's Grant	97.044	EMW-2006-FG-08339	255,294	54,844
Hazardous Materials Training Assistance	97.021	M4056110TR-004FDCAR	1,867	<u>1,867</u>
				267,851
U.S. Department of Homeland Security/ Federal Emergency Management Agency/ Passed Through NM Department of Public Safety				
Homeland Security Grant Program	97.067	2003-MU-T3-0047-CIP-CARL	657,350	<u>-</u>
Total U.S. Department of Homeland Security				<u>267,851</u>
Total Expenditures of Federal Awards				<u>\$ 6,124,713</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

1. BASIS OF PRESENTATION

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

2. BASIS OF ACCOUNTING

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

3. NON-CASH ASSISTANCE

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

4. RECONCILIATION OF FINANCIAL STATEMENTS TO FEDERAL AWARDS

Federal expenditures on the schedule of expenditures of federal awards amount to \$6,124,713. The amounts of expenditures within the funds are reflected within the financial statements as follows:

General Fund	
Public safety	\$ 267,851
Special Revenue Funds	
<u>Home Program Fund</u>	
Health and welfare	148,819
<u>Airport Fund</u>	
Capital outlay	1,215,014
<u>RSVP Fund</u>	
Health and welfare	44,979
<u>WIPP Acceleration Impact Fund</u>	
Economic development	1,287,218
Capital outlay	301,940
Capital Projects Funds	
<u>Street System Improvement Fund</u>	
Capital outlay	271,561
<u>Federal Projects Fund</u>	
Capital outlay	2,208,488
Proprietary Funds	
<u>Municipal Transit Fund</u>	
Economic development	238,671
Capital outlay	140,172
	<u>\$ 6,124,713</u>

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparison statement for the general fund, of the City of Carlsbad, New Mexico as of and for the year ended June 30, 2008, and have issued our report thereon dated December 5, 2008. We also have audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise and internal service funds, and the respective budgetary comparison statements for the state legislative and National Cave-Karst Institute fund, the major enterprise funds, and for each nonmajor special revenue, capital project, enterprise and internal service funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008 as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items 2007-02, 2007-04, 2008-01, 2008-02, 2008-03, and 2008-04.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that 2007-02, 2007-04, 2008-01, 2008-02, 2008-03 and 2008-04 of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance, or other matters that is required to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings and questioned costs as items 2007-04, 2008-01, 2008-02, 2008-03 and 2008-04.

We noted certain matters that are required to be reported under *Government Auditing Standards* and paragraph 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as items 2007-01, 2008-05 and 2008-06.

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

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



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

December 5, 2008

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

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

Compliance

We have audited the compliance of City of Carlsbad, New Mexico with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. City of Carlsbad's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Carlsbad's management. Our responsibility is to express an opinion on City of Carlsbad's compliance based on our audit.

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

In our opinion, City of Carlsbad complied, in all material respects, with the requirements referred to above that are applicable each of its major federal programs for the year ended June 30, 2008

Internal Control over Compliance

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

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

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

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

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

Handwritten signature in black ink that reads "Fierro + Fierro, P.A." in a cursive style.

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

December 5, 2008

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Program tested as major programs include:

Program	CFDA No.
EDI-Special Projects Grant	14.251
Airport Improvement Program	20.106

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2007-01 – Stale Checks

Statement of Condition – During our review of the City’s year end bank reconciliations, it was discovered the City has three hundred thirty-five in old (stale) checks, totaling \$36,133, on its outstanding check register. These old (stale) checks have not been managed under the New Mexico escheat laws. The oldest check outstanding is dated September 1, 1995. Furthermore, the City failed to void \$28,447 of outstanding checks which have been outstanding greater than 180 days, as per the City’s cash policy.

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

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions – The City is reviewing the wording on its checks and may change it to allow one year before a check becomes null and void. The City will review its policy on the handling of outstanding checks and the procedures to resolve any outstanding check issues. The City’s staff has familiarized itself with Section 7-8A of the New Mexico State Statutes in order to become compliant. In addition, City staff has spoken with the New Mexico Unclaimed Property Office regarding non-compliance and steps to become compliant. City staff was also informed that penalties will not be assessed for current year and previous year non-compliance, since the City is taking steps to correct the issue.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2007-02 – Preparation of Financial Statements and Disclosures

Statement of Condition – The City relies upon their independent auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The City requires the independent auditors gather necessary information (receivables, capital assets, accounts payable, and compensated absences) in order to convert their cash basis accounting information into financial statements prepared in accordance with GAAP.

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

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

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

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

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

Cause – The City’s staff has the ability, but lacks the time needed to prepare the financial statements and the associated disclosures. When audit services are sought, there is a requirement that the auditor will prepare the financial statements. In the past this may have been sufficient, however, the accounting profession (American Institute of Certified Public Accountants) by issuance of SAS 112, now requires recognition and reporting of significant deficiencies in internal control when there is an ineffective oversight of the financial reporting and internal control by those charged with governance.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION II – FINDINGS – FINANCIAL STATEMENTS

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

Recommendation – We recommend the City hire staff for all positions within the finance department. This would allow the Director of Finance and the Assistant Treasurer, the time to prepare all the necessary reconciling items for the annual audit, prior to the arrival of the auditing firm. Alternately, the City could chose to consult with a separate accounting firm prior to and during the audit process that would assist the City in the preparation of financial statements and the related notes.

Views of Responsible Officials and Planned Corrective Actions – It is the City's understanding that of the 102 municipalities in the state, only the three largest are in compliance regarding this issue. The state's Municipal League has also objected to the fact that this GAAP requirement is too onerous, particularly for smaller jurisdictions. The problem arises from the fact that the state of New Mexico requires public entities to account for revenues and expenditures on a cash basis, and to make quarterly and annual reports in such a format. At the end of the fiscal year, however, GAAP rules require this information to be reformatted into an accrual basis, which takes a significant amount of time and effort. The City's staff was nevertheless able to prepare the compensated absences this year, which is a partial resolution to this issue. A plan has already been discussed, utilizing current staff, to enable the preparation of the accounts receivable, accounts payable, and capital assets in future fiscal years.

Auditing Firm's Response – The three municipalities (Albuquerque, Rio Rancho and Santa Fe) stated in the City's response, who has met the SAS 112 requirements; all have one thing in common. They all have certified public accountants (CPA) as their directors of finance, and staff with accounting degrees. The City has a CPA as the director of finance and another staff member with an accounting degree. As stated in the cause, the City's staff has the ability to prepare the financial statements but lacks the time to do it. It doesn't help the City with the inability to keep staff in all the accounting department positions.

If the City is proactive in preparing their own financial statements, steps will be taken prior to year end in preparation of the key function data such as the accrual of receivables and payables. This would demonstrate that management possesses sufficient knowledge regarding financial reporting thus meeting the requirements of SAS 109 and 112.

Item 2007-04 – Capital Assets

Statement of Condition – During the audit of the capital asset subsidiary ledgers, we noted the following conditions:

- In order to reconcile the capital assets, various reports were necessary, all which provided unique information for the reconciliation. The City did not prepare a report that reconciles all activity (additions, improvements, deletions, and transfers).
- The report listing all the capital assets owned by the City doesn't record the line item which the expense for the capital asset was recorded.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2007-04 – Capital Assets (continued)

Statement of Condition (continued)

- Instead, the report lists a capital outlay line item in the fund; the capital asset was assigned to, and assigned by the fixed asset coordinator. Additional time is spent determining the correct line item the expense was recorded in.
- The City's capital asset subsidiary records for June 30, 2007, did not tie to the prior year auditor records. There was no reconciliation to determine the difference between the two amounts.

Criteria – New Mexico State Statutes Section 12-6-10 directs the general services department to promulgate regulations to state agencies for the accounting and control of capital assets owned by government agencies. The New Mexico State Administrative Code, Title 2, Chapter 20, Part 1, *Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls* issued by the general services department requires that the City implement a systematic and well documented system for accounting of capital assets. The information to be recorded and maintained must include, at a minimum, the following:

1. Agency name.
2. Fixed asset number.
3. A description using words meaningful for identification.
4. Location.
5. Manufacturer's name.
6. Model number or model name.
7. Serial number or vehicle identification number.
8. Estimated useful life.
9. Date acquired.
10. Cost.
11. Fund and organization that purchased the asset.

The accounting system must be capable of generating lists of capital assets in sequences useful for managing them. The system must track all transactions, including acquisitions, depreciation, improvements, and dispositions. The system must be able to allocate between assets purchased with governmental activities, and those purchased with business-type activities. Capital assets must be associated with the fund that purchased the asset for the purpose of accurately reporting financial performance. If an asset is transferred, the capital assets and accounting records should be updated. The system must generate all necessary accounting entries to the City's general ledger.

Effect – The City's capital assets subsidiary ledgers maintained by the City are not capable of generating data necessary for the financial statements without a significant amount of manipulation. The City is not in compliance with NMAC 2.20.1.

Cause – The City's personnel are unable to present the data necessary for the reconciliation of the capital assets between fiscal years as reported on the audited financial statements. The computer software does not allow the City's personnel to easily report the data needed for the reconciliation of the capital assets.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2007-04 – Capital Assets (continued)

Recommendation – We recommend the City hire an individual for the fixed asset coordinator position. City staff should continue to work with the City’s computer programmer to create additional reports which will be more beneficial to the City and the auditing firm. This should help lessen the need to create additional spreadsheets to help in the reconciliation process.

Views of Responsible Officials and Planned Corrective Actions – The current computer software presents all the required information regarding capital outlay, as specified in the criteria items 1 through 11. What the software fails to do is to reconcile all the expenditures into a single report that would assist the auditors in their preparations. The stated need for the information to be presented in a manner that is “useful for managing” is therefore subject to the user’s perspective. In order to facilitate the auditor’s efforts, the City has already begun writing inquiries to our inventory system that will address their needs. There has been a personnel shortcoming in that the prior fixed assets coordinator was unable to perform the necessary duties of the job, and the City is now seeking a replacement for this position. Another issue discovered during this year’s audit is that prior auditing firms misstated the City’s assets by \$500,000 in 2001 and had carried that error until the present year. This misstatement did not affect the City’s records but it did cause problems when the current auditor sought to reconcile prior audits with the current year’s audit.

Item 2008-01 – Ambulance and Transit Receivables

Statement of Condition – During the review of the City’s year end accounts receivables, we discovered the following conditions:

- We inquired with the Director of Finance concerning the City’s ambulance billings. The Director of Finance informed us, the ambulance receivables have never been recorded in the audit report since the early 1990s, if at all. As of June 30, 2008, the City had a net receivable of \$356,137 (\$581,279 of gross receivables less \$225,143 of an allowance for doubtful accounts). As of June 30, 2007, the net receivable was \$300,333, which was a restatement of fund balance in the current year, within the General Fund.
- The Director of Finance informed us the Municipal Transit Fund bills customers for services rendered and has a receivable at year end. These receivables have never recorded in the audit report. As of June 30, 2008, the City had a receivable of \$4,874.

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. This includes all receivables and payables for the City.

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SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2008-01 – Ambulance and Transit Receivables (continued)

Effect – The City has misstated their audit report and financial statements for many years. Correct, complete, and accurate information has not been provided to the citizenry, the New Mexico Department of Finance and Administration Local Government Division, City bond holders and others who rely on such information. Furthermore, non-compliance with New Mexico State Statutes and the Department of Finance and Administration rules could subject officials and employees to penalties and fines.

Cause – Prior city administrators and directors of finance were unaware of the requirements to include all receivables due to the City, including ambulance and transit. The City is provided a monthly report from the third party billing vendor for all ambulance receivables, which the City should have provided to their auditors on a yearly basis. The Municipal Transit department creates monthly reports and keeps track of all outstanding receivables.

Recommendation – We recommend the City's Community Development Director take the necessary steps to ensure copies of the monthly transit billings are provided to the finance department for review and are retained for the auditors. Furthermore, we recommend the finance department ensure the third party vendor is billing for all services rendered, writing off accounts in accordance with City policy and procedures, and a copy of the monthly reports are retained for the auditors to review.

Views of Responsible Officials and Planned Corrective Actions – This error has never been reported by prior auditors. It again highlights the difference between the state's requirement for cash accounting and the auditing requirement for accrual accounting. No funds have been lost nor mismanaged due to this formatting discrepancy. The City will provide the auditors with the information from the third party vendors for the ambulance receivables each year. The City will also provide the auditors with the transit receivables each year.

Auditing Firm's Response – In the past, the annual audited financial statements of the City have been prepared by the City's independent auditor. However, the City reviews and approves the financial statements and related notes, and the City believes the books and records adequately support the financial statements. During the review of the audit report, City staff should have discovered the missing receivables and informed the auditor immediately of the deficiency with the request to adjust the financial statements accordingly. The City's accounting staff has knowledge of both GASB and GAAP requirements and, as such, should have noticed the deficiency and brought it to the auditor's attention, regardless of the quarterly reporting requirements to the New Mexico Department of Finance and Administration.

Item 2008-02– Customer Utility Deposits

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

- The City has failed to reconcile the customer utility deposit balance of \$816,677 with the individual customer utility deposit cards.

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SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2008-02– Customer Utility Deposits (continued)

Statement of Condition (continued) –

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

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

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

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

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

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SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2008-02 – Customer Utility Deposits (continued)

Views of Responsible Officials and Planned Corrective Actions – The City staff has been working on the deposit card files for the last two years. In the past, deposits were not refunded or applied unless requested by the customer. The City has altered this policy in order to have deposits applied or refunded at the time that the account is closed. Such action has prevented this problem from growing any further, while staff has attempted to apply any credits due. This effort has reduced the original 50,000 account deposits to less than 25,000. Currently, the City has about 10,500 active utility accounts. It is estimated that about 13,000 accounts have not yet had the deposit applied or refunded. The City staff will continue to perform maintenance on the deposit card file to refund or apply the deposits of the estimated 13,000 dormant accounts. The City will continue its efforts in order to further reduce these outstanding deposits.

Item 2008-03 – Grant Management

Statement of Condition – During our review of grants receivable at year end, we discovered the City had state grant receivables totaling \$2,005,161. These receivables included expenses incurred by the City for various grants since the 2005-2006 fiscal year. We noted the following conditions:

- At the end of the fiscal year, the City requested reimbursement in the amount of \$2,225 for expenses incurred during the 2005-2006 fiscal year.
- At the end of the fiscal year, the City requested reimbursement in the amount of \$13,143 for expenses incurred during the 2006-2007 fiscal year.
- At the end of the fiscal year, the City requested reimbursement in the amount of \$498,185 for expenses incurred during the first quarter (July through September) of the 2007-2008 fiscal year.
- At the end of the fiscal year, the City requested reimbursement in the amount of \$639,091 for expenses incurred during the second quarter (October through December) of the 2007-2008 fiscal year.
- At the end of the fiscal year, the City requested reimbursement in the amount of \$330,322 for expenses incurred during the third quarter (January through March) of the 2007-2008 fiscal year.
- At the end of the fiscal year, the City requested reimbursement in the amount of \$522,195 for expenses incurred during the fourth quarter (April through June) of the 2007-2008 fiscal year. This amount seems reasonable as a grant receivable as of the end of the fiscal year.
- The Special Projects Coordinator failed to have the City Administrator sign off on a \$1,321,735 grant reimbursement request. Of the fifteen requests for reimbursement which total \$2,005,161, the single reimbursement for over a million dollars did not get reviewed or approved by the City Administrator.

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

Item 2008-03 – Grant Management (continued)

Statement of Condition (continued) –

- As of the end of the fiscal year, the State Legislative Fund had a negative cash balance of \$655,802. The State Legislative Fund records the majority of the City's grant activity. The General Fund has to cover this deficit balance until the reimbursements are completed, reviewed, approved, and received.

Criteria – New Mexico State Statutes Section 6-6-3 provides that every local body shall keep all the books, records, and accounts in their respective offices in the form prescribed by the Local Government Division of the Department of Finance and Administration. Within Title 2, Chapter 20, Part 5, *Public Finance Accounting by Governmental Entities* of the New Mexico Administrative Code, the Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately. Most if not all grants, both federal and state, received by the City are a reimbursement grant, which requires the City to pay for the expense prior to reimbursement. The reimbursement requests should be submitted within a month of the City incurring the expense.

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

Effect – By not requesting timely reimbursements, the City is required to have the General Fund cover expenses for the State Legislative Fund until the reimbursements are received. Currently, the General Fund has the ability to cover those expenses, but this may not always be the case.

Cause – The Special Projects Coordinator has failed to request timely reimbursements on various grants awarded to the City. Eight of the fifteen requests for reimbursement were not submitted until September 2008. There is a lack of communication between the Special Projects Coordinator and the finance department to ensure various grants and reimbursements are being completed and submitted on a timely basis.

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

Views of Responsible Officials and Planned Corrective Actions – During the past fiscal year, the City received \$5,193,143 in reimbursements for projects funded by a variety of grant agencies.

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SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2008-03 – Grant Management (continued)

Views of Responsible Officials and Planned Corrective Actions (continued) – As stated in the narrative, these grants are typically operated on a reimbursement basis, so there will naturally be an outstanding amount of unreimbursed items at any given time. As of June 30, 2008, the unreimbursed amount added up to 26% of the total expended during the fiscal year. The City agrees that the more quickly items are reimbursed, the better, yet this percentage outstanding does not appear to be extreme.

More specifically, there are certain parameters the funding agencies impose upon the process, including a minimum reimbursable amount and an annual cutoff date for submitting reimbursements. These limitations caused several of the findings listed above – as an example the outstanding 2005/06 reimbursements (\$2,225) included four projects, none of which attained the minimum threshold until this fiscal year.

As for the lack of the City Administrator's signature on the \$1.3 million reimbursement request, this request was for a single road project. The expenditures had all been approved by the City Council, and verbal instructions had been provided to the Special Projects Coordinator for seeking the necessary reimbursements as soon as the project closed. Unfortunately the City Administrator was out of town when the reimbursement package was finalized, and the submission was made without his signature. Admittedly, this fact should have been noted on the form, but there are commonly other reimbursement requests made without the City Administrator's signature, as many federal grants perform their entire process on-line.

The City has already reviewed the policies and procedures regarding grant expenditures and timely grant reimbursements. In addition, the Finance Department and the Special Projects Coordinator will meet quarterly to reconcile amounts expended and amounts received.

Item 2008-04 – Public Employee Retirement Association Reporting

Statement of Condition – During our testing of the New Mexico Public Employee Retirement Association (PERA) contributions, the City failed to report \$1,048,887 of wages. The wages not reported to PERA were not subject to PERA contributions.

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

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

Cause – The City failed to report employee wages for clothing allowance, attendance bonus, and health insurance reimbursement.

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CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2008-04 – Public Employee Retirement Association Reporting (continued)

Cause (continued) – The City didn't believe these wages needed to be reported to PERA as wages due to no PERA contributions were required on these wages.

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

View of Responsible Officials and Planned Corrective Actions – This circumstance is a direct result of having a high turnover in the payroll staff. It did not, however, negatively affect any employee, require any reimbursement to PERA, nor subject the City to any fines. The City has added a position to alleviate the demands upon payroll staff's time and currently complies with PERA reporting requirements.

Item 2008-05 – Cash & Donation Boxes

Statement of Condition – During the year end cash on hand verification, it was discovered the City had more cash boxes from departments around the City than the finance department knew of. Furthermore, the museum has a locked donation box where patrons donate money, cash or check, to the museum. These funds are not deposited on a timely basis. While on site, we asked the Community Development Director and the Museum Director to open the donation box, where approximately a few hundred dollars was located within the box. The money had not been deposited at City Hall since June 30, 2008.

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 – The Finance Department was unaware of the additional cash boxes maintained by various departments. This lack of internal control over cash accounts could allow employees ample opportunity to commit fraud, without any knowledge of their supervisor and the finance department. Concerning the museum donation box, there is only one key to unlock the box and it is in the possession of the Museum Director. Monies donated to the museum are not recorded timely into the general ledger and incorrect information is being provided to the City Council as well as others within the City. Furthermore, noncompliance with New Mexico State Statutes and the Department of Finance and Administration rules could subject officials and employees to penalties and fines.

Cause – The finance department was unaware of the additional cash boxes located in the City. Various department heads failed to inform or request an additional cash box from the finance department.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2008-05 – Cash & Donation Boxes (continued)

Cause (continued) – Until the Director of Finance sent a memo to all departments to bring their cash boxes to City Hall at year end, she was unaware of the boxes. The policies and procedures concerning the museum do not clearly state when deposits shall be made. The finance department does not have access to the museum's donation box.

Recommendation – We recommend the City's finance department quarterly review various cash drawers to ensure all amounts are accounted for. We recommend no additional cash boxes be issued to any departments unless approved by the department head requesting the additional box, the Director of Finance, and the City Administrator. We recommend the finance department receive a key to the donation box located in the museum. We recommend the donation box be counted and deposited at City Hall monthly, due to a small volume of donations received. We recommend the Community Development Director take the necessary steps to ensure policies and procedures are reviewed and updated concerning cash on hand. The policies and procedures concerning cash on hand should coincide with the finance department's policies and procedures. Furthermore, we recommend the City review the number of cash boxes around the city and the amount in each box to determine if any changes to the number of boxes and or the impress amount should change. The changes should be approved by the Director of Finance and the City Administrator.

Views of Responsible Officials and Planned Corrective Actions – The verification of all cash boxes this year was initiated by the Finance Department due to a concern regarding cash management in departments outside of the Finance Department. The Finance Director and the Community Development Director discussed each department and its cash handling procedures. Many of the departments outside of the Finance Department use manual methods of receipting money which is later turned over to the Finance Department to be recorded in the general ledger. The City is moving toward adding the outlying departments onto the same computerized receipting system that the Finance Department utilizes. The City concurs with the auditors in the need for the dual lock on the museum donation box and the need for timely deposits, and these procedures will be applied accordingly.

Item 2008-06 – Submission of Audit Report

Statement of Condition – The audit report for the fiscal year ended June 30, 2008, was due to the New Mexico State Auditor's office by December 1, 2008. The audit report was submitted on January 23, 2009.

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

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

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CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION II – FINDINGS – FINANCIAL STATEMENTS

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

Cause – The City was unable provide all applicable and necessary financial information for the audit, prior to the arrival of the auditing firm.

Recommendation – We recommend the City complete all of the necessary financial data within three months after year-end which should allow the auditors sufficient time to complete the audit by the date established by the State auditor.

Views of Responsible Officials and Planned Corrective Actions – The City concurs with the auditor recommendation. As previously discussed, the City is working on the reports generated by the capital assets software to be able to reconcile these issues. City staff will strive to have the schedule of federal awards and the landfill usage prior to the auditing firm's arrival.

SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS – EDI – SPECIAL PROJECTS GRANT 14.251 AND AIRPORT IMPROVEMENT PROGRAM 20.106

None.

SECTION IV – PRIOR YEARS' AUDIT FINDINGS

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

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

Item 2007-03 – Wire Transfers – In the previous year's audit report, it was noted the City lacks the proper controls over the wire transfer of funds from their various accounts. During the fiscal year, the City added additional staff to initiate and approve wire transfers. The finding is considered resolved.

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
EXIT CONFERENCE AND
PREPARATION OF FINANCIAL STATEMENTS
JUNE 30, 2008**

**CITY OF CARLSBAD
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2008, was discussed during the exit conference held on December 10, 2008. Present for the City were Bob Forrest, mayor; Jeff Diamond, city councilor; Harry Burgess, city administrator and Monica D. Harris, director of finance/city treasurer. Present for the auditing firm were Ed Fierro, CPA.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the financial statements of the City of Carlsbad as of June 30, 2008. The City's upper management have reviewed and approved the financial statements and related notes, and they believe that the City's books and records adequately support them.