

STATE OF NEW MEXICO
CITY OF CARLSBAD
ANNUAL FINANCIAL REPORT
JUNE 30, 2006

INTRODUCTORY SECTION

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STATE OF NEW MEXICO
CITY OF CARLSBAD

OFFICIAL ROSTER
June 30, 2006

Name

List of Officials

Title

City of Carlsbad

Bob Forrest	Mayor
Paul C. Aguilar	City Councilor – Ward 1
Jimmie Cisneros	City Councilor – Ward 1
Jeff Diamond	City Councilor – Ward 2
Manual Anaya	City Councilor – Ward 2
Judi Waters	City Councilor – Ward 3
Ned Z. Elkins	City Councilor – Ward 3
Brad A. Day	City Councilor – Ward 4
Louise Tracy	City Councilor – Ward 4

Administrative Officials:

Harry Burgess	City Administrator
Monica Harris	City Treasurer
Ranea Chambless	City Clerk
Eileen R. Riordan	City Attorney

STATE OF NEW MEXICO
CITY OF CARLSBAD
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2006

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STATE OF NEW MEXICO
CITY OF CARLSBAD

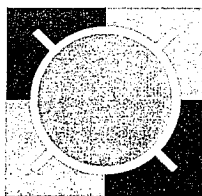
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CITY OF CARLSBAD**

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FINANCIAL SECTION

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Accounting & Consulting Group, LLP

INDEPENDENT AUDITOR'S REPORT

Domingo P. Martinez, CGFM
New Mexico State Auditor
The Office of Management and Budget
To the Honorable 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 and the budgetary comparison statements of the major funds' activities of the City of Carlsbad, New Mexico, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements and budgetary comparison schedules of each of the City's nonmajor governmental funds, 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, 2006 as listed in the table of contents. These financial statements are the responsibility of the City of Carlsbad's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we express no such opinion. 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 of Carlsbad, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison statements 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 fund of the City of Carlsbad, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for 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.

Certified Public Accountants

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2006 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 over 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 *Management's Discussion and Analysis* on pages 5 through 15 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carlsbad's basic financial statements and the combining and individual fund financial statements, and the budgetary comparison schedules. The accompanying financial information listed as supporting Schedules I and II in the table of contents and Schedule III, Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Accounting and Consulting
Group, LLP*

Accounting & Consulting Group, LLP
Certified Public Accountants

Carlsbad, New Mexico
November 22, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

FY 2005-2006 AUDIT

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the independent auditor's report for the City of Carlsbad has been prepared by the City Administrator and Director of Finance to provide a narrative overview and analysis of the financial activities of the City for the fiscal year which ended June 30, 2006. The financial performance is presented within the context of the accompanying financial statements and disclosures prepared by the independent auditor. The management discussion to follow contains general comments about the budget hearing process; an overview of the various funds, the financial statements, original and final budget, budget versus actual results, and long-term debt activity; financial highlights of the fiscal year and specific details regarding the City's General Fund, Proprietary Funds and the numerous Special Funds that comprise the City's annual budget. The purpose of this section is to assist the reader to more easily understand and utilize the financial reports prepared by the auditor.

Annual Audit

New Mexico Law sets forth that all New Mexico municipalities shall provide the New Mexico State Auditor an annual audit of the municipality's financial activities for the preceding fiscal year. Such audits must be conducted by an "independent auditor" whose qualifications and contract are approved by the State Auditor. The audits are conducted in accordance with auditing standards generally accepted in the United States for governmental entities. Specific requirements of the State Auditor are also applicable.

The services of the independent auditor are secured through the competitive proposal process set forth in the New Mexico Procurement Code. The ultimate selection of the auditor and the resultant contract are subject to the approval of the State Auditor. Although the City pays for the services of the auditor, the auditor is completely autonomous and is, in no way, directed, controlled or supervised by the City; thus, the audit product is truly an independent, impartial and unbiased assessment and reporting of the City's financial activities and conditions.

The Budget Process

The municipal budgetary process may well be of little interest to the average citizen who is likely more interested in the City's performance than its financial underpinnings. To the casual but interested observer, the budget formulation process must, at times, seem arcane, convoluted and complex. In reality, it is none of those things and, notwithstanding the fact that it can be an arduous, long and sometimes frustrating task, it is based upon a very simple premise: expenditures cannot exceed revenues.

A New Mexico Statute known as the Bateman Act prohibits New Mexico municipalities from engaging in "deficit spending." Revenues, in any given fiscal year, must be sufficient to cover all expenditures in that same fiscal year. Consequently, municipal budgets must, at all times, be "balanced budgets." While there are many other statutory requirements regarding specific revenues and expenditures, the overriding principle of municipal budget formulation is to prepare, present, approve and execute a budget that does not result in spending money the municipality does not have.

The City of Carlsbad utilizes a fiscal year that begins on July 1st and ends on June 30th the following year. The budget formulation process begins in March of each year and consists of two simultaneous and collateral processes: closing out the current fiscal year and preparing the succeeding year's budget. Recommendations are presented by department heads for their respective personnel, operating and capital requirements for the upcoming fiscal year.

In late April or early May, the City Council and City Finance Committee hold a series of public meetings during which the City administration, department heads, City boards and commissions, community organizations and members of the public are afforded the opportunity to present requests for funding or comments on any matter relating to the budget.

For the FY 05-06 Budget, the following public meetings/hearings were held:

April 11, 2005	April 19, 2005
April 25, 2005	May 16, 2005
June 2, 2005	June 10, 2005
June 20, 2005	

By the middle of May each year, the City Administrator presents the City Council with the "first cut" of a new budget for approval by the Council as the "Interim Budget" which must be submitted to the New Mexico Department of Finance and Administration (DFA) on or before June 1st. The major difference between the Interim Budget and the Final Budget lies in the fact that, prior to June 1st, revenue and expenditure estimates for the current year cannot be finalized; consequently, final revenue and expenditure projections for the new fiscal year cannot be accurately determined.

During the course of the budget process, the City administration presents the ever-developing budget picture in the seven-column spreadsheet shown below:

PROPRIETARY FUNDS/ ENTERPRISE FUNDS	APPROVED BUDGET 2004-05	APPROVED ADJ BUDGET 2004-05	June 30, 2005 ACTUALS 2004-05	FINAL BUDGET 2005-06	ESTIMATED 2006-07 BUDGET	ESTIMATED 2007-08 BUDGET
1 TRANSIT SERVICE 15-0150 & 15-0151						
2 REVENUES: Capital Reimbursement	\$67,269	\$67,269	29,558	93,028		
3 Fare Revenues	\$17,000	\$17,000	23,166	20,000	\$20,000	\$20,000
4 Federal Administration - 5311 Program	\$52,000	\$99,925	74,627	80,000	\$80,000	\$80,000
5 Federal Operating - 5311 Program	\$31,600	\$62,679	56,149	59,000	\$59,000	\$59,000
6 Title V (CAST) Fares			6,334	5,000	\$0	\$0
7						
8 Insurance Recoveries		\$1,356	1,357			
9						
10 WTW/TANF	\$115,500	\$155,022	134,499	124,000	\$124,000	\$124,000
11 Contract Fares	\$16,000	\$16,000	14,890	10,000	\$10,000	\$10,000
12 Reimbursements / Misc.			10			
13 Federal Transit Administration - Facility Construction Grant	\$623,898	\$623,898	597,203	26,695		
14 Anti-Delinquency Grant (CAST)			11,904			
15 GRAND TOTAL REVENUES	\$923,267	\$1,043,149	949,696	417,723	\$293,000	\$293,000
16 TRANSFERS: IN (OUT)						
17 Insurance Fund	(\$6,500)	(\$6,500)	(6,500)	(16,000)	(\$6,500)	(\$6,500)
18 General Fund - Transit Subsidy	\$82,516	\$172,031	112,031	156,986	\$210,609	\$216,303
19 Health Insurance	\$0	\$1,300	-	-	\$0	\$0
20 Computer Lease Fund	(\$1,360)	(\$1,360)	(1,360)	(2,915)	(\$2,915)	(\$2,915)
21 General Fund - Transit Facility Construction	\$111,526	\$111,526	111,526	-		
22 NET TRANSFERS	\$186,182	\$276,997	215,697	138,071	\$201,194	\$206,888
23 EXPENDITURES:						
24 Personal Services - Transit - 150	\$232,900	\$358,600	300,951	362,300	\$396,300	\$397,100
25 Operating Expense - Transit - 150	\$48,250	\$132,447	68,558	93,232	\$97,894	\$102,788
26 Operating Expense - Transit Facility - 151	\$25,077	\$19,962	20,006	-		
27						
28 Capital Outlay:						
29 Equipment - Transit - 150	\$98,850	\$99,650	51,639	116,286	\$0	\$0
30 Construction/Improvements - Transit - 150	\$0	\$0	6	-	\$0	\$0
31 Equipment - Transit Facility - 151	\$6,000	\$2,650	2,642	-		
32 Construction/Improvements - Transit Facility - 151	\$702,081	\$710,546	700,062	10,449		
33 Sub Total Capital Outlay	\$806,931	\$812,846	754,349	126,735	\$0	\$0
33 Equipment Lease						
34 GRAND TOTAL EXPENDITURES	\$1,113,158	\$1,323,855	1,143,863	582,267	\$494,194	\$499,888

CASH BALANCES	2004-05 APPROVED	2004-05 APPROVED ADJ	2004-05 6/30/05 ACTUAL	2005-06 FINAL	2006-07 ESTIMATED	2007-08 ESTIMATED
Beginning Cash Balance	\$3,709	\$3,709	3,709	26,473	(\$0)	(\$0)
Revenues	\$923,267	\$1,043,149	949,696	417,723	\$293,000	\$293,000
Transfers	\$186,182	\$276,997	216,925	138,071	\$201,194	\$206,888
Expenditures	\$1,113,158	\$1,323,855	1,143,857	582,267	\$494,194	\$499,888
Ending Cash Balance	\$0	\$0	26,473	(0)	(\$0)	(\$0)

This document presents the approved budget for the current year, the approved budgetary adjustments for the current year, the anticipated actuals for the current year, the departmental recommendations for the new fiscal year, the administrative recommendation for the new fiscal year and estimated budgets for the two succeeding fiscal years. In this way, the budget can be viewed as a continuum rather than isolated budget components.

Based on consideration of all factors, the new fiscal year final budget is presented to the Council for its approval, typically at its last meeting in June, along with the final budgetary adjustments, if any, for the current fiscal year. The City is required to submit its new fiscal year budget to DFA for its approval by the end of July.

General Fund Budgetary Highlights

The following table examines the summary budget performance of the general fund for the fiscal year ending June 30, 2006. Detailed budget performance is examined through the Statement of Revenues, Expenditures and Changes in Fund Balance for the general fund found at Exhibit C.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:				
General government	\$ 2,996,897	\$ 3,138,948	\$ 2,981,885	\$ 157,063
Public Safety	9,201,939	9,994,864	9,820,270	174,594
Public works	3,194,241	3,224,341	2,916,831	307,510
Culture and recreation	2,469,693	2,661,698	2,523,268	138,430
Public health and welfare	137,661	139,361	137,537	1,824
Capital outlay	277,368	294,548	267,952	26,596
Debt service	708,131	748,607	652,636	95,971
Combined Nonmajor Funds:				
Public Safety	728,817	800,864	649,121	151,743
Public works	847,039	1,025,976	679,433	346,543
Culture and recreation	870,149	951,784	720,653	231,131
Public health and welfare	129,924	129,924	48,328	81,596
Economic development	2,810,594	5,817,746	1,996,752	3,820,994
Capital outlay	22,258,783	23,602,402	9,737,755	13,864,647
Debt service	860,822	860,822	860,822	-

Fund Overview

In any given fiscal year, depending on circumstances, the City's annual budget will consist of 40 to 50 individual funds, grouped respectively under one of the following general categories:

A. General Fund.

The General Fund accounts for all discretionary resources, except those required to be accounted for in one of the funds listed hereinafter. The General Fund is comprised of the individual budgets of the departments providing government-wide traditional municipal services as follows:

- | | |
|-----------------------------|--------------------------------------|
| 1. Executive Department | 12. Community Service Department |
| 2. Personnel Department | 13. Golf Course |
| 3. Judicial Department | 14. Parks Department |
| 4. Finance Department | 15. Airport |
| 5. City Clerk | 16. Library |
| 6. Police Department | 17. Museum |
| 7. Fire Department | 18. GIS |
| 8. Street Department | 19. Engineering Department |
| 9. Garage | 20. Licensing & Permits Department |
| 10. Electrical Department | 21. Community Development Department |
| 11. Construction Department | 22. San Jose Senior Center |
| | 23. North Mesa Senior Center |

B. Special Revenue Funds.

Special Revenue Funds are intended to account for the proceeds and expenditures of monies that are legally restricted to expenditure for specific purposes. Because New Mexico Law provides for the specific use of certain revenue sources, the following funds are budgeted as Special Revenue Funds:

- | | |
|-------------------------------------|--|
| 1. Fire Protection Fund | 8. Special Police Programs Fund |
| 2. Riverwalk Recreation Center Fund | 9. Law Enforcement Protection Fund |
| 3. Lodgers' Tax Fund | 10. Local Government Corrections Fund |
| 4. E911 Fund | 11. Emergency Medical Services Fund |
| 5. Narcotics Forfeiture Fund | 12. Permanent Water and Sewer Utility Fund |
| 6. Airport Improvement Fund | 13. Youth Sports Complex Fund |
| 7. RSVP Fund | 14. 2003 WIPP Acceleration Fund |

C. Capital Projects Funds.

Capital Projects Funds account for the financial resources used for the acquisition or construction of major capital facilities. Included as Capital Project Funds are:

- | | |
|--|---|
| 1. Community Development Block Grants Fund | 7. Sewer Improvement Fund |
| 2. Street Improvement Fund | 8. Landfill Improvement Fund |
| 3. State Legislative Grant Funds | 9. Landfill Closure/Post-Closure Fund |
| 4. CIEP Fund | 10. Old Landfill Closure Fund |
| 5. Park Improvement Fund | 11. National Cave/Karst Research Institute Fund |
| 6. Water Improvement Fund | |

D. Debt Service Funds.

Debt Service Funds account for the accumulation of resources for the repayment of general obligation and other long-term debt principal and interest. Although the City has no general obligation debt, the following Debt Service Funds are included in the municipal budget:

- | | |
|--------------------------------|---|
| 1. 2002 Sales Tax Revenue Bond | 3. 1998 Water and Sewer Bond Rebate Fund |
| 2. 1998 Water and Sewer Bond | 4. 1998 Water and Sewer Bond Reserve Fund |

E. Proprietary Funds.

Proprietary Funds account for two general types of funds:

Enterprise Funds account for all revenues and expenditures of operations that are financed and operated in a manner similar to private business enterprises in which the intent is that the costs of providing goods and services to the general public on a continuing basis are financed or recovered primarily through user charges; or, in those instances where it has been determined that a separate accounting of revenues earned, expenses incurred and other net income is appropriate for the proper management and control of a particular enterprise or government service. The City has six Enterprise Funds:

- | | |
|-------------------------------|---|
| 1. Joint Water and Sewer Fund | 4. Special Museum Fund |
| 2. Solid Waste Fund | 5. Performing Arts & Exhibition Center Fund |
| 3. Municipal Transit Fund | 6. Cemetery Fund |

Internal Service Funds are established to account for the finances of operations or services that are funded by one or more departments for the benefit of other departments, or the City as a whole. Internal Services Funds include:

- | | |
|----------------------------------|--------------------------|
| 1. Computer Equipment Lease Fund | 3. Insurance Fund |
| 2. Workers Compensation Fund | 4. Health Insurance Fund |

Financial Statement Overview

The City of Carlsbad's basic financial statements comprise 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 report the City of Carlsbad's finances in a format similar to a private-sector business. The statement of net assets presents information on all of the City of Carlsbad's assets and liabilities, with the difference between the two reported as net assets. Increases in net assets may indicate a growth in financial position; and conversely, decreases in net assets may indicate a downturn in financial position. The statement of activities reports the changes in the government's net assets during the most recent fiscal year. All changes in net assets are reported on an accrual basis, regardless of the timing of cash flows. Therefore, revenues and expenses may be reported in this statement for some items that will result in actual cash flows in future fiscal periods (e.g., uncollected taxes and accrued vacation leave). The government-wide financial statements report both government activities and business-type activities. The City of Carlsbad's government activities include General Government, Public Safety, Public Works, Culture and Recreation, Public Health and Welfare, and Economic Development which are financed through taxes and intergovernmental revenue. The City of Carlsbad's business-type activities include Solid Waste, Joint Water and Sewer, Museum, Municipal Transit, Performing Arts Center, and Cemetery which are financed through user fees and charges.

City of Carlsbad's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>30-Jun-05</u>	<u>30-Jun-06</u>	<u>30-Jun-05</u>	<u>30-Jun-06</u>	<u>30-Jun-05</u>	<u>30-Jun-06</u>
Current and other assets	\$ 20,298,484	\$ 16,970,030	\$ 19,178,946	\$ 16,928,137	\$ 39,477,430	\$ 33,898,167
Capital Assets, net of accumulated depreciation	34,348,390	42,806,604	36,644,895	36,639,505	70,993,285	79,446,109
Total Assets	<u>\$ 54,646,874</u>	<u>\$ 59,776,634</u>	<u>\$ 55,823,841</u>	<u>\$ 53,567,642</u>	<u>\$ 110,470,715</u>	<u>\$ 113,344,276</u>
Long-term liabilities	\$ 7,650,572	\$ 7,965,845	\$ 18,413,609	\$ 18,073,323	\$ 26,064,181	\$ 26,039,168
Other liabilities	2,623,987	3,103,777	926,340	1,144,641	3,550,327	4,248,418
Total liabilities	<u>10,274,559</u>	<u>11,069,622</u>	<u>19,339,949</u>	<u>19,217,964</u>	<u>29,614,508</u>	<u>30,287,586</u>
Net Assets	<u>\$ 44,372,315</u>	<u>\$ 48,707,012</u>	<u>\$ 36,483,892</u>	<u>\$ 34,349,678</u>	<u>\$ 80,856,207</u>	<u>\$ 83,056,690</u>

City of Carlsbad's Revenues and Expenses

	Governmental Activities		Business-type Activities		Total	
	<u>30-Jun-05</u>	<u>30-Jun-06</u>	<u>30-Jun-05</u>	<u>30-Jun-06</u>	<u>30-Jun-05</u>	<u>30-Jun-06</u>
Revenues						
Taxes	\$ 18,650,305	\$20,378,245	\$ 465,825	\$ 500,903	\$ 19,116,130	\$ 20,879,148
Intergovernmental	1,980,444	2,026,700	(1,980,444)	(2,026,700)	-	-
Charges for services	1,202,377	746,339	9,926,169	10,749,736	11,128,546	11,496,075
Operating grants and contributions	2,046,167	1,433,306	662,096	832,435	2,708,263	2,265,741
Capital grants and contributions	3,452,312	4,122,817	665,569		4,117,881	4,122,817
Other	1,940,392	2,018,684	443,462	351,539	2,383,854	2,370,223
Total Revenue	<u>29,271,997</u>	<u>30,726,091</u>	<u>10,182,677</u>	<u>10,407,913</u>	<u>39,454,674</u>	<u>41,134,004</u>
Expenses						
Current:						
General government	3,605,280	4,479,785	-	-	3,605,280	4,479,785
Public safety	9,983,739	10,995,463	-	-	9,983,739	10,995,463
Public works	4,732,595	4,367,966	-	-	4,732,595	4,367,966
Culture and recreation	3,156,271	3,763,616	-	-	3,156,271	3,763,616
Public health and welfare	233,955	208,060	-	-	233,955	208,060
Economic development	888,210	2,304,906	-	-	888,210	2,304,906
Debt Service:						
Interest on long-term debt	250,988	271,598	-	-	250,988	271,598
Solid waste	-	-	2,843,442	3,671,329	2,843,442	3,671,329
Joint Water and Sewer	-	-	5,989,913	6,229,790	5,989,913	6,229,790
Museum	-	-	6,564	8,602	6,564	8,602
Municipal Transit	-	-	450,962	482,553	450,962	482,553
Performing Arts Centre	-	-	178,037	186,229	178,037	186,229
Cemetery	-	-	221,223	245,923	221,223	245,923
Total Expenses	<u>22,851,038</u>	<u>26,391,394</u>	<u>9,690,141</u>	<u>10,824,426</u>	<u>32,541,179</u>	<u>37,215,820</u>
Excess of revenues over expenses	<u>\$ 6,420,959</u>	<u>\$ 4,334,697</u>	<u>\$ 492,536</u>	<u>\$ (416,513)</u>	<u>\$ 6,913,495</u>	<u>\$ 3,918,184</u>

Fund Financial Statements

The City of Carlsbad uses fund accounting to track resources and expenditures by purpose or activity. All of the funds of the City of Carlsbad, enumerated previously, can be divided into two categories: governmental funds and proprietary funds.

A. Governmental Funds

Governmental funds are similar to governmental activities in the government-wide financial statements. However, governmental fund financial statements report revenues, expenditures, and fund balance on a cash basis instead of accrual basis thus revealing a more immediate financial outlook. The reconciliation between the long-term and short-term financial outlooks is found in both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances.

The City of Carlsbad maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other eighteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Carlsbad adopts an annual appropriated budget for its general fund and all other governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. In addition, the individual financial statements of the nonmajor governmental fund types include budgetary comparison data.

The basic governmental fund financial statements can be found at exhibits B-1 through C-1 of this report.

Proprietary funds. The City of Carlsbad maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The CITY OF CARLSBAD uses enterprise funds to account for its airport, solid waste, and water and sewer utility funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the airport, solid waste, and water and sewer utility, all of which are considered major funds of the City of Carlsbad.

General Fund Overview and Analysis

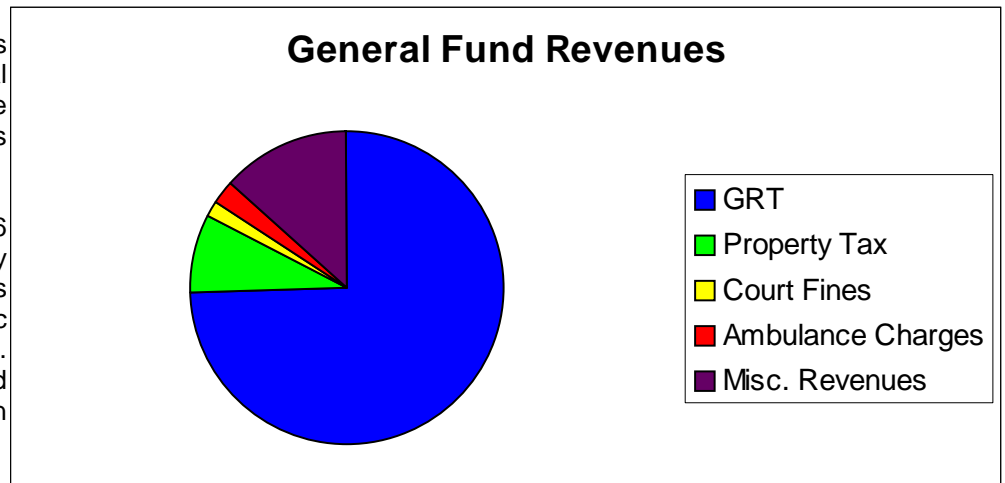
Revenues

The predominant revenue source for General Fund operations is the Gross Receipts Tax which is allocated to the General Fund in three statutorily distinct distributions:

1. Municipal Gross Receipts Tax (1.25%)
2. Municipal Infrastructure Gross Receipts Tax (.125%)
3. State Shared Gross Receipts Tax (1.225%)

For FY 05-06, Gross Receipts Taxes accounted for nearly 75% of all General Fund revenues with the relative contributions from other revenue sources shown to the right:

Total General Fund revenues for FY 05-06 exceeded initial budget projections by 6.6% or \$1,266,463. Gross Receipts Taxes, which reflect local economic activity, are budgeted conservatively. Revenue increases are typically projected at no more than the anticipated increase in the Consumer Price Index.



The following revenue sources performed as follows in relation to initial budget projections:

1. Property tax +4.4%
2. Ambulance charges +1.6%
3. Court fines +.4%

General Fund Revenues			
	FY 04-05	FY 05-06	Increase/ (Decrease)
Gross Receipts Tax	14,275,813	15,242,944	967,131
Property Tax	1,576,746	1,646,457	69,711
Court Fines	354,662	371,496	16,833
Ambulance Charges	456,598	501,708	45,110
Misc. Revenues	2,231,527	2,725,887	494,360
Total	18,895,346	20,488,492	1,593,146

The majority of the \$1.5 million increase in General Fund Revenues over the prior year is due to a nearly \$1 million increase in Gross Receipts Tax as a result of the healthy economy and local spending. The City also benefited from the Sale of Real Property in the amount of \$244,700. The increase in revenues is reflected in the \$200,660 increase in fund balance less the increase in expenditures.

B. Expenditures

As noted above, the City's General Fund is comprised of numerous departments that provide general governmental services, public safety services and other services traditionally provided by local governments. General Fund actual expenditures totaled approximately \$19.300 million, 1.7% more than originally budgeted, due specifically to overtime in the Fire Department.

General Fund Expenditures			
	FY 04-05	FY 05-06	Increase/ (Decrease)
General Government	2,640,824	2,981,885	341,061
Public Safety	9,227,341	9,820,270	592,929
Public Works	2,883,895	2,916,831	32,936
Culture and recreation, and Economic Development	2,414,407	2,791,220	376,813
Public health and welfare	133,269	137,537	4,268
Capital Outlay	528,930	652,636	123,706
Total	17,828,666	19,300,379	1,471,713

Several significant events caused the increase in General Fund Expenditures over the prior year. Several employees retired and large vacation balance pay-outs increased salaries. Salaries were also significantly increased due to a combination of annual wage increases and overtime, specifically overtime in the Police and Fire Departments. The contractual payment of \$240,000 to Noah's Ark Animal Refuge was also a major contributing factor, as was higher gas prices.

Enterprise Fund Overview and Analysis

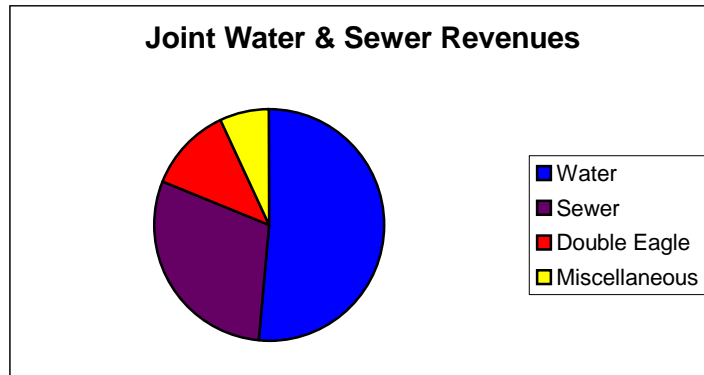
The Joint Water and Sewer Fund and the Solid Waste Fund are the City’s two major enterprise funds.

A. Joint Water and Sewer Fund

Revenues

The annual audited operating revenues of \$7,244,340 are generated primarily from the sale of water and sewer services. The rates for these services are established by ordinance and are increased modestly each year in accordance with a formula based on the Consumer Price Index. Tap fees, reconnect fees and several other sources provide modest supplementary revenue.

The City supplies water to its customers from two separate systems with separate aquifers. The municipal well field located in the Capitan Aquifer provides the majority of potable water, while the Double Eagle system located in the Ogallala Aquifer in Eddy and Lea Counties supplies industrial water for a variety of commercial uses. The revenues produced by the municipal water system, Double Eagle System and municipal sewer system are accounted for separately. The relationship of the various sources of revenue to each other are depicted below.



Operating income exceeded total operating expenses in FY 05-06 by \$1,797,774.

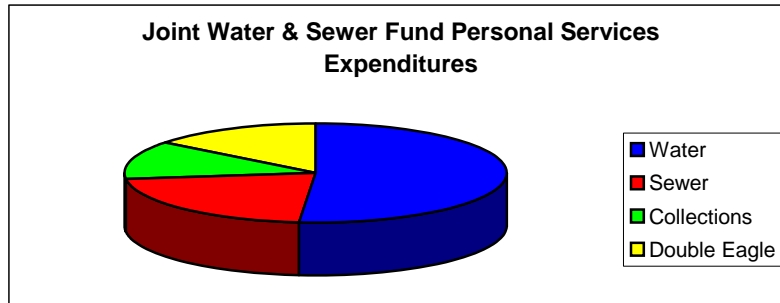
Joint Water and Sewer Fund revenues continue to perform largely as projected in the twenty-year budget developed in conjunction with the issuance of the 1998 Water and Sewer Improvement Bonds, meeting all operations and maintenance costs, capital outlay, debt service and maintaining debt coverage ratios. Total actual revenues were down \$534,275 from the initial budget projections, due primarily to a lower anticipated demand.

Joint Water & Sewer Revenue			
	FY 04-05	FY 05-06	Increase/ (Decrease)
Charges for services	6,698,750	7,243,832	545,082
Interest	333,901	294,162	(39,739)
Misc. Revenues	59,714	1,931	(57,783)
Total	7,092,365	7,539,925	447,560

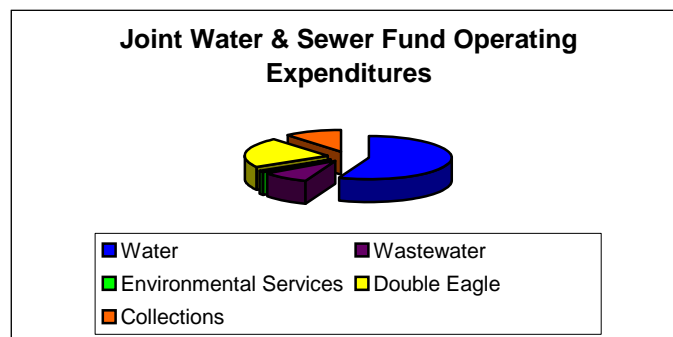
The increase in Joint Water and Sewer Revenues over the prior year is primarily due to an increase of \$545,082 in Charges for Services. This was caused partially by a 2.5% rate increase and by an increase in customer demand, since the previous year had a very healthy rainy season.

Expenditures

Operating expenses include personal services, cost of electrical power for well pumping and delivery systems and a variety of other operating expenditures for vehicle maintenance, contracts and professional fees, including legal fees, building and equipment maintenance, miscellaneous personnel costs and service line maintenance. Separate budgetary accountings are maintained for the personnel costs and operating expenditures for the Water Department, Wastewater Department, Collections Department and Double Eagle Department. The relative personnel expenditures are reflected below.



Operating expenses as reflected below also include Environmental Services. Expenditures break down between the departments as follows:



Operating expenses increased \$239,877 compared to the prior year, reflected in the following break down:

Joint Water & Expenditures			
	FY 04-05	FY 05-06	Increase/ (Decrease)
Personal Services	2,303,774	2,359,624	55,850
Operating	2,869,034	3,086,942	217,908
Non-Operating	817,105	783,224	(33,881)
Total	5,989,913	6,229,790	239,877

The increase in Joint Water and Sewer Expenditures over the prior year is primarily due to an increase of \$217,908 in Operating Expenses due to an increase in Vehicle Operation Costs and Utilities caused by the increase in oil and gas prices. The increase in expenses is also reflected in the \$260,256 decrease in net assets of the fund.

Transfers

As in the General Fund, monies are transferred from the Joint Water and Sewer Fund for the purpose of paying its share of liability insurance, workers compensation and data processing leases. Transfers “out” also include reimbursements to the General Fund for the services it renders on behalf of the Joint Water and Sewer Utility. Of special note are transfers “out” to the following funds:

1. Water System Improvement Fund in which specific capital improvements for the water system are identified, budgeted and accounted for.
2. Sewer System Improvement Fund for specific capital improvements related to the waste water treatment plant.
3. The 1998 Water and Sewer Bond Debt Service Fund which monies are accumulated for repayment of bonds issued in 1998 for major water and sewer improvement projects.

The Transfer In from the Water and Sewer Fund was not met by \$551,756 due to an inability to rollover invested assets within the fiscal year. The funds were transferred the next fiscal year when cash became available due to the maturity of these investments.

Net Assets

Total net assets of the Joint Water and Sewer Department decreased by \$1,977,957 over the previous year. The fiscal health and viability of the Joint Water and Sewer Utilities is good with the decrease in net assets largely due to increased gas prices and a prior period adjustment of \$1,717,701 for capital assets.

B. Solid Waste Disposal Department

Revenues

The Solid Waste Department provides a variety of services including residential and commercial refuse collection, recycling services, and landfill operation and management.

In September 2003, the Governing Body enacted an ordinance increasing the fees for refuse collection services which had not been increased since April 19, 1995. In the eight year period between April 1995 and September 2003, service revenues were relatively flat and the small increases that occurred were due to system growth. Absent the September 2003 rate increase, budget projections indicated negative variances in FY 03-04 and beyond. The rate increases approved were as follows:

1. 10% beginning October 1, 2003;
2. 8% beginning July 1, 2004;
3. 8% beginning July 1, 2005.

During its meeting on July 25, 2006, the City council addressed the rate structure again and approved a one-time 10% increase in rates to become effective October 1, 2006. This rate increase was designed to maintain the fund’s solvency in response to increasing operating expenses.

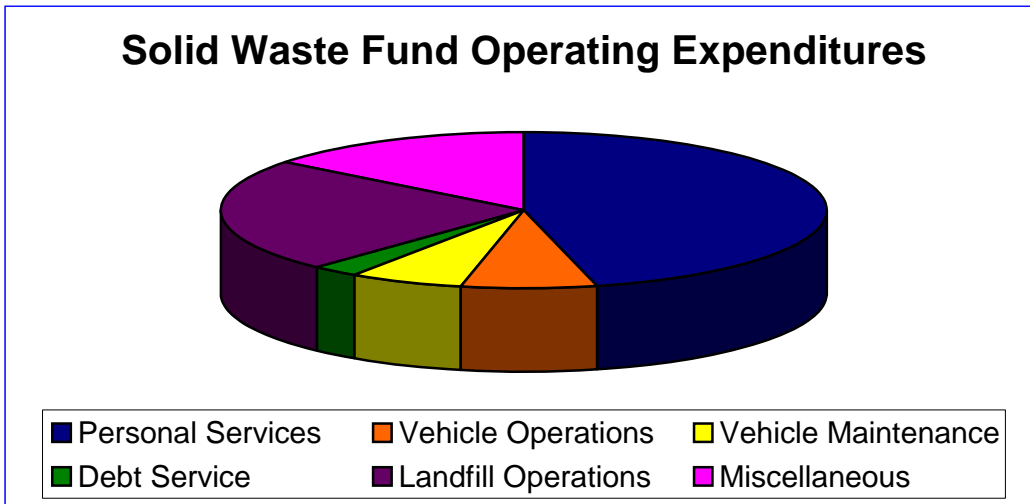
Total operating revenues for the Solid Waste Department for FY 05-06 were \$4,297,462, which included reimbursement from Eddy County for its 50% share of landfill operating and capital improvements and loan proceeds for the purchase of four grapppler trucks.

Solid Waste Disposal Revenues			
	FY 04-05	FY 05-06	Increase/ (Decrease)
Gross Receipts Tax	465,825	500,903	35,078
Charges for Services	2,996,851	3,278,724	281,873
Misc. Revenues	434,192	517,835	83,643
Total	3,896,868	4,297,462	400,594

The increase in Solid Waste Disposal Revenues over the prior year is due mostly to an increase of \$281,873 in Charges for Services because of an 8% increase in rates effective July 1, 2005

Expenditures

The breakdown in relative Solid Waste Department expenditures is shown below:



Operating expenses increased \$827,877 compared to the prior year, reflected in the following break down:

	FY 04-05	FY 05-06	Increase/ (Decrease)
Personal Services	1,208,849	1,164,100	(44,749)
Operating	1,608,268	2,483,390	875,122
Non-Operating	26,325	23,839	(2,486)
Total	2,843,442	3,671,329	827,887

The increase in Solid Waste Disposal Expenditures over the prior year is due to an increase in Operating Expenses. A major revision to the operational procedures of the Solid waste department occurred in the latter half of this year due to the aging fleet of waste collection vehicles. The aged equipment has resulted in frequent breakdowns and therefore interruptions in service. In order to maintain service levels, the employee’s schedules were divided into two shifts (one early and one late) to maximize the use of the remaining vehicles. In addition, the City Council approved the purchase of five new collection vehicles, funded through the federal “WIPP Acceleration” grant. The altered hours have resulted in additional expenses, and the fleet maintenance costs have risen as more of the older trucks require repairs. Depreciation also increased 78%, or about \$200,000. The addition of the new vehicles to the fleet, coupled with the initiation of a biannual replacement of two vehicles should decrease this fleet maintenance expense in the future.

Transfers

Transfers “out” of the Solid Waste Department Fund, to a large extent, mirror those of the General Fund and Joint Water and Sewer Fund. Three transfers, however, are of special note:

1. Transfer to the Sandpoint Landfill Closure/Post-Closure Reserve Fund in which annual deposits are made by both the City and Eddy County for pre-funding environmental assessments, remediation and post-closure monitoring of the Sandpoint Landfill. This fund is required as a part of the City’s landfill permit from the New Mexico Environment Department. Total funding of these costs is required in the first 20 years of the landfill permit although the life of the landfill is estimated at 60 years.
2. Transfers to the Sandpoint Landfill Bond Fund in which funds are accumulated for the repayment of Environmental Gross Receipts Tax Revenue Bond Series 1994 issued for the purpose of funding the City’s share of the Sandpoint Landfill. The bonds will be fully amortized in June 2006.
3. Sandpoint Landfill Construction Fund in which funds are accumulated for the costs associated with construction of the new landfill cells.

Net Assets

Net assets of the Solid Waste Department decreased by \$514,121, due primarily to increased expenses.

Capital Asset and Debt Administration

Capital assets. The City of Carlsbad’s investment in capital assets for its governmental and business type activities as of June 30, 2006, amounts to \$79,446,109 (net of accumulated depreciation). This investment in capital assets includes land, land-right of ways, land improvements, buildings, computers, equipment, furniture and fixtures, vehicles, and infrastructure.

City of Carlsbad's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	30-Jun-05	30-Jun-06	30-Jun-05	30-Jun-06	30-Jun-05	30-Jun-06
Land & Water Rights	\$ 1,436,346	\$ 1,927,816	\$ 1,547,424	\$ 1,623,960	\$ 2,983,770	\$ 3,551,776
Construction in progress	2,049,981	544,843	1,925,843	319,935	3,975,824	864,778
Structures and Improvements	28,297,517	34,659,257	-	-	28,297,517	34,659,257
Utility property and structures	-	-	49,007,718	52,335,039	49,007,718	52,335,039
Equipment and software	9,559,302	11,599,866	6,171,610	7,868,301	15,730,912	19,468,167
Infrastructure	24,562,171	27,495,569	-	-	24,562,171	27,495,569
	65,905,317	76,227,351	58,652,595	62,147,235	124,557,912	138,374,586
Less accumulated depreciation	31,556,927	33,420,747	24,124,251	25,507,730	55,681,178	58,928,477
	<u>\$ 34,348,390</u>	<u>\$42,806,604</u>	<u>\$ 34,528,344</u>	<u>\$ 36,639,505</u>	<u>\$ 68,876,734</u>	<u>\$ 79,446,109</u>

Long-term debt. The City of Carlsbad’s long-term debt outstanding as of June 30, 2006 is shown in the following table:.

PURPOSE OF BOND	DATE OF BOND ISSUE	ORIGINAL AMOUNT OF BOND ISSUE	OUTSTANDING PRINCIPAL AMOUNT	ORIGINAL AMOUNT OF BOND INTEREST	OUTSTANDING INTEREST DUE	PRINCIPAL DUE FY2007	INTEREST DUE FY2007
2002 Sales Tax Revenue Improvement Bond	01/01/02	\$ 3,710,000	\$ 3,265,000	\$ 1,655,737	\$ 975,446	\$ 225,000	\$ 142,263
Environmental Services Gross Receipts Tax	12/01/94	1,165,000	-	512,683	-	-	-
Joint Water & Sewer Refunding & Improvement Bond	11/01/98	21,370,000	15,560,000	12,063,598	5,568,138	905,000	716,828
NMFA Sports Complex Loan	06/18/04	3,500,000	2,996,979	519,824	394,611	343,895	76,830
NMFA Grapler Trucks Loan	11/19/04	549,565	451,118	90,051	68,425	50,721	13,740
NMFA Pumper and Ladder Trucks	07/19/05	1,000,000	1,000,000	311,569	311,569	41,242	53,164

City of Carlsbad's Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	<u>30-Jun-05</u>	<u>30-Jun-06</u>	<u>30-Jun-05</u>	<u>30-Jun-06</u>	<u>30-Jun-05</u>	<u>30-Jun-06</u>
Revenue Bonds	\$ 3,480,000	\$ 3,265,000	\$ -	\$ -	\$ 3,480,000	\$ 3,265,000
NMFA notes payable:						
Sports Complex	3,335,847	2,996,979	-	-	3,335,847	2,996,979
Fire Protection	-	958,758	-	-	-	958,758
Governmental Gross Receipts Tax	-	-	130,000	-	130,000	-
Joint Water and Sewer Refunding Improvement	-	-	16,430,000	15,560,000	16,430,000	15,560,000
NMFA note payable	-	-	500,760	451,118	500,760	451,118
Landfill closure and postclosure	-	-	1,924,722	1,960,339	1,924,722	1,960,339
	<u>\$ 6,815,847</u>	<u>\$ 7,220,737</u>	<u>\$ 18,985,482</u>	<u>\$ 17,971,457</u>	<u>\$ 25,801,329</u>	<u>\$ 25,192,194</u>

Other Information

Although construction is not complete, the City of Carlsbad opened the new Youth Sports Complex on Lea Street this spring. The Little Girl's Softball League played on the newly constructed fields and one tournament was also held. At the time of this document's preparation, the parking lot, four soccer, and one football field have also been completed with one fall season of AYSO league soccer having been successfully conducted as well. Additional improvements will continue as time allows, to include additional fields for the sports noted and Little League Baseball. The revenues earned from the dedicated Gross Receipts Tax will sufficiently fund the operations of the Sports Complex.

The City of Carlsbad continues to participate in the construction of the Cascades, a project that will house the National Cave/Karst Research Institute as well as other economic and educational entities. The City has partnered with the Department of Development to bring this project to its fruition. Once completed, the Cascades is expected to bring economic growth and development to the community.

The City of Carlsbad also closed purchased a Fire Pumper and an Aerial (Ladder) Platform Truck during the past fiscal year. The purchase was funded through a loan that will be repaid starting November 1, 2006, from funds distributed annually from the State Fire Marshal. The purchase of this equipment will allow the Carlsbad Fire Department to more effectively fight fires within the community.

Contacting the City's Financial Management

This Management Discussion and Analysis is designed to provide a general overview of the City's finances and demonstrate the City's commitment to public accountability. Questions regarding this discussion and analysis may be directed to the City Administrator by telephone at (505) 887-1191 or by mail to P. O. Box 1569, Carlsbad, NM 88221-1569. Questions may also be directed to the Director of Finance at the same number and address.

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**BASIC
FINANCIAL STATEMENTS**

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STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF NET ASSETS
June 30, 2006

Exhibit A-1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,853,576	\$ 819,247	\$ 8,672,823
Investments	2,860,000	12,709,912	15,569,912
Receivables (net of allowance for uncollectibles)	3,301,909	1,383,993	4,685,902
Inventories	-	229,798	229,798
Restricted cash and investments	3,518,082	801,832	4,319,914
Interfund balances	(563,537)	563,537	-
Capital assets:			
Land, water rights and construction in progress	2,472,659	1,943,895	4,416,554
Other assets, net of accumulated depreciation	40,333,945	34,695,610	75,029,555
Other assets	-	419,818	419,818
Total assets	\$ 59,776,634	\$ 53,567,642	\$ 113,344,276
LIABILITIES AND NET ASSETS			
Accounts payable and other current liabilities	\$ 1,364,381	\$ 1,082,427	\$ 2,446,808
Accrued interest payable	89,396	62,214	151,610
Deferred revenue	1,650,000	-	1,650,000
Noncurrent liabilities:			
Compensated absences			
Due within one year	78,951	25,549	104,500
Due in more than one year	666,157	76,317	742,474
Long-term debt			
Due within one year	625,548	955,721	1,581,269
Due in more than one year	6,595,189	15,055,397	21,650,586
Estimated liability for landfill closure and post closure care	-	1,960,339	1,960,339
Total liabilities	11,069,622	19,217,964	30,287,586
Invested in capital assets, net of related debt	35,585,867	21,584,108	57,169,975
Restricted for:			
Public safety	121,011	-	121,011
Public works	576,274	-	576,274
Culture and recreation	1,855,357	-	1,855,357
Debt service	1,086,618	-	1,086,618
Unrestricted	9,481,885	12,765,570	22,247,455
Total net assets	48,707,012	34,349,678	83,056,690
Total liabilities and net assets	\$ 59,776,634	\$ 53,567,642	\$ 113,344,276

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, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 4,479,785	\$ 259,567	\$ 535,537	\$ -
Public safety	10,995,463	375,772	630,902	-
Public works	4,367,966	111,000	117,549	1,913,955
Culture and recreation	3,763,616	-	57,079	740,823
Public health and welfare	208,060	-	92,239	13,039
Economic development	2,304,906	-	-	1,455,000
Interest on long-term debt	271,598	-	-	-
Total governmental activities	<u>26,391,394</u>	<u>746,339</u>	<u>1,433,306</u>	<u>4,122,817</u>
Business-type activities				
Solid Waste	3,671,329	3,278,724	468,409	-
Joint Water and Sewer	6,229,790	7,243,832	-	-
Museum	8,602	11,108	-	-
Municipal Transit Fund	482,553	43,896	364,026	-
Performing Arts Centre	186,229	19,962	-	-
Cemetery	245,923	152,214	-	-
Total business-type activities	<u>10,824,426</u>	<u>10,749,736</u>	<u>832,435</u>	<u>-</u>
Total primary government	<u>\$ 37,215,820</u>	<u>\$ 11,496,075</u>	<u>\$ 2,265,741</u>	<u>\$ 4,122,817</u>

General Revenues:

Property taxes
Gross receipts taxes
Franchise taxes
Motor vehicle and fuel taxes
Cigarette taxes
Lodger's taxes
Miscellaneous
Unrestricted investment earnings
Gain of sale of fixed assets
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Prior period adjustment
Net assets - beginning as restated
Net assets - ending

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

Net (Expenses) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (3,684,681)	\$ -	\$ (3,684,681)
(9,988,789)	-	(9,988,789)
(2,225,462)	-	(2,225,462)
(2,965,714)	-	(2,965,714)
(102,782)	-	(102,782)
(849,906)	-	(849,906)
(271,598)	-	(271,598)
<u>(20,088,932)</u>	<u>-</u>	<u>(20,088,932)</u>
-	75,804	75,804
-	1,014,042	1,014,042
-	2,506	2,506
-	(74,631)	(74,631)
-	(166,267)	(166,267)
-	(93,709)	(93,709)
-	<u>757,745</u>	<u>757,745</u>
<u>(20,088,932)</u>	<u>757,745</u>	<u>(19,331,187)</u>
1,638,310	-	1,638,310
16,966,666	500,903	17,467,569
688,985	-	688,985
491,382	-	491,382
88,582	-	88,582
504,320	-	504,320
1,485,325	6,749	1,492,074
285,690	339,714	625,404
247,669	5,076	252,745
2,026,700	(2,026,700)	-
<u>24,423,629</u>	<u>(1,174,258)</u>	<u>23,249,371</u>
<u>4,334,697</u>	<u>(416,513)</u>	<u>3,918,184</u>
44,372,315	36,483,892	80,856,207
-	(1,717,701)	(1,717,701)
<u>44,372,315</u>	<u>34,766,191</u>	<u>79,138,506</u>
<u>\$ 48,707,012</u>	<u>\$ 34,349,678</u>	<u>\$ 83,056,690</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

Exhibit B-1
(Page 1 of 2)

	General Fund	Other Governmental Funds	Total
<i>Assets</i>			
Cash and cash equivalents	\$ 2,975,766	\$ 4,361,214	\$ 7,336,980
Investments	2,800,000	60,000	2,860,000
Accounts receivable	3,022,926	239,019	3,261,945
Interfund receivable	-	36,975	36,975
<i>Total current assets</i>	<u>8,798,692</u>	<u>4,697,208</u>	<u>13,495,900</u>
<i>Restricted assets</i>			
Debt service	-	282,724	282,724
Capital acquisitions	-	2,035,358	2,035,358
<i>Total restricted assets</i>	<u>-</u>	<u>2,318,082</u>	<u>2,318,082</u>
<i>Total assets</i>	<u>\$ 8,798,692</u>	<u>\$ 7,015,290</u>	<u>\$ 15,813,982</u>
 <i>Liabilities and Fund Balance</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 45,039	\$ 745,174	\$ 790,213
Accrued expenses	535,412	5,455	540,867
Interfund payable	-	600,512	600,512
Deferred revenue	42,397	1,650,000	1,692,397
<i>Total current liabilities</i>	<u>622,848</u>	<u>3,001,141</u>	<u>3,623,989</u>
 <i>Fund balance</i>			
Reserved for debt service	-	190,000	190,000
Reserved for capital acquisition	-	-	-
Unreserved:			
Undesignated			
General fund	8,175,844	-	8,175,844
Special revenue funds	-	2,840,267	2,840,267
Capital projects funds	-	87,264	87,264
Debt service funds	-	896,618	896,618
<i>Total fund balance</i>	<u>8,175,844</u>	<u>4,014,149</u>	<u>12,189,993</u>
<i>Total liabilities and fund balance</i>	<u>\$ 8,798,692</u>	<u>\$ 7,015,290</u>	<u>\$ 15,813,982</u>

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

STATE OF NEW MEXICO

CITY OF CARLSBAD

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2006

Exhibit B-1
(Page 2 of 2)

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

Fund balances - total governmental funds	\$ 12,189,993
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	42,806,604
Revenue related to delinquent property taxes receivable is not considered to be current financial resources and therefore, is deferred in the funds.	42,397
Other liabilities are not due and payable in the current period and therefore are not reported in the funds - accrued interest payable	(89,396)
Long-term liabilities, including bonds payable, capital leases payable, notes payable, and compensated absences are not due and payable in the current period and therefore, are not reported in the funds:	
Compensated absences	(745,108)
Bonds and notes payable	(7,220,737)
Rounding	(1)
The remaining fund balances of internal service funds reported as governmental activities are not reported in the governmental funds	<u>1,723,260</u>
Net assets of governmental activities	<u>\$ 48,707,012</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 BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

Exhibit B-2
(Page 1 of 2)

	General Fund	Other Governmental Funds	Total
<i>Revenues:</i>			
State shared taxes	\$ 7,475,757	\$ 1,227,711	\$ 8,703,468
Taxes	10,619,093	504,320	11,123,413
Licenses and permits	190,731	-	190,731
Charges for services	532,990	213,349	746,339
Fines and forfeits	375,772	-	375,772
State and county grants	438,920	1,106,080	1,545,000
Federal grants	112,425	3,898,698	4,011,123
Miscellaneous	852,781	632,544	1,485,325
Interest	83,327	162,747	246,074
<i>Total revenues</i>	20,681,796	7,745,449	28,427,245
<i>Expenditures:</i>			
Current:			
General government	2,985,885	-	2,985,885
Public safety	9,923,278	649,121	10,572,399
Public works	2,957,786	679,433	3,637,219
Culture and recreation	2,537,321	720,653	3,257,974
Public health and welfare	140,501	48,328	188,829
Economic development	269,693	1,996,752	2,266,445
Capital outlay	690,080	9,737,755	10,427,835
Debt service:			
Principal	-	620,421	620,421
Interest	-	240,401	240,401
<i>Total expenditures</i>	19,504,544	14,692,864	34,197,408
<i>Excess (deficiency) of revenues over expenditures</i>	1,177,252	(6,947,415)	(5,770,163)
<i>Other financing sources (uses):</i>			
Sale of assets	244,700	161	244,861
Loan proceeds	-	1,000,000	1,000,000
Transfers in	1,741,747	3,094,886	4,836,633
Transfers (out)	(2,963,039)	(1,113,540)	(4,076,579)
<i>Total other financing sources (uses)</i>	(976,592)	2,981,507	2,004,915
<i>Net change in fund balances</i>	200,660	(3,965,908)	(3,765,248)
<i>Fund balances - beginning of year</i>	7,975,184	7,980,057	15,955,241
<i>Fund balances - end of year</i>	\$ 8,175,844	\$ 4,014,149	\$ 12,189,993

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

STATE OF NEW MEXICO

CITY OF CARLSBAD

Exhibit B-2

(Page 2 of 2)

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, 2006

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

Net change in fund balances	\$ (3,765,248)
-----------------------------	----------------

Change in net assets of internal service funds	(27,045)
--	----------

Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense:

Capital expenditures	10,389,157
Depreciation expense	(1,928,676)
Decrease in net book value of capital assets on disposal	(2,267)

Rounding	(1)
----------	-----

The issuance of long-term debt (e.g., bonds, leases) provides current financial
resources to governmental funds, while the repayment of the principal of long-term
debt consumes the current financial resources of governmental funds. Neither
transaction, however, has any effect on net assets. Also, governmental funds
report the effect of issuance costs, premiums, discounts, and similar items when
debt is first issued, whereas these amounts are deferred and amortized in the
statement of activities. This amount is the net effect of these differences in the
treatment of long-term debt and related items:

Decrease in liability for compensated absences	89,617
Increase in accrued interest payable	(5,886)
Proceeds from debt issuance	(1,000,000)
Principal payments on bonds	215,000
Principal payments on notes	380,110
Decrease in deferred revenue	<u>(10,064)</u>

Change in net assets of governmental activities	\$ <u><u>4,334,697</u></u>
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The accompanying notes are an integral part of these financial statements.

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STATE OF NEW MEXICO

Exhibit C

CITY OF CARLSBAD

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ 7,087,518	\$ 7,087,518	\$ 7,339,928	\$ 252,410
Taxes	9,946,317	9,946,317	10,390,822	444,505
Licenses and permits	154,650	154,650	190,731	36,081
Charges for services	522,460	522,460	531,224	8,764
Fines and forfeits	376,000	376,000	375,772	(228)
State and county grants	436,707	436,707	438,920	2,213
Federal grants	102,314	271,634	112,425	(159,209)
Miscellaneous	518,363	663,789	794,893	131,104
Interest	75,700	75,700	69,145	(6,555)
<i>Total revenues</i>	<u>19,220,029</u>	<u>19,534,775</u>	<u>20,243,860</u>	<u>709,085</u>
<i>Expenditures:</i>				
Current:				
General government	2,996,897	3,138,948	2,981,885	157,063
Public safety	9,201,939	9,994,864	9,820,270	174,594
Public works	3,194,241	3,224,341	2,916,831	307,510
Culture and recreation	2,469,693	2,661,698	2,523,268	138,430
Public health and welfare	137,661	139,361	137,537	1,824
Economic development	277,368	294,548	267,952	26,596
Capital outlay	708,131	748,607	652,636	95,971
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>18,985,930</u>	<u>20,202,367</u>	<u>19,300,379</u>	<u>901,988</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>234,099</u>	<u>(667,592)</u>	<u>943,481</u>	<u>1,611,073</u>
<i>Other financing sources (uses):</i>				
Designated cash	355,986	1,498,091	-	(1,498,091)
Sale of assets	2,000	2,000	244,700	242,700
Loan proceeds	-	-	-	-
Transfers in (out)	(592,085)	(832,499)	(1,221,292)	(388,793)
<i>Total other financing sources (uses)</i>	<u>(234,099)</u>	<u>667,592</u>	<u>(976,592)</u>	<u>(1,644,184)</u>
<i>Net change in fund balance</i>	-	-	(33,111)	(33,111)
<i>Fund balance - beginning of year</i>	-	-	5,809,177	5,809,177
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,776,066</u>	<u>\$ 5,776,066</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2006

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	<u>Solid Waste Disposal</u>	<u>Joint Water and Sewer</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
<i>Assets</i>				
<i>Current assets</i>				
Cash and cash equivalents	\$ 337,586	\$ 366,598	\$ 115,063	\$ 819,247
Investments	1,105,000	11,604,912	-	12,709,912
Accounts receivable	307,637	1,054,062	22,294	1,383,993
Interfund receivable	-	563,537	-	563,537
Inventory	-	229,798	-	229,798
	<u>1,750,223</u>	<u>13,818,907</u>	<u>137,357</u>	<u>15,706,487</u>
<i>Total current assets</i>				
<i>Noncurrent assets</i>				
<i>Restricted assets</i>				
Debt service	55,590	-	-	55,590
Capital acquisitions	2,848	396,117	-	398,965
Other purposes	-	347,277	-	347,277
	<u>58,438</u>	<u>743,394</u>	<u>-</u>	<u>801,832</u>
<i>Total restricted assets</i>				
<i>Capital assets</i>				
Land, water rights and construction in progress	-	1,742,869	201,026	1,943,895
Other assets, net of accumulated depreciation	1,792,442	30,536,788	2,366,380	34,695,610
	<u>1,792,442</u>	<u>32,279,657</u>	<u>2,567,406</u>	<u>36,639,505</u>
<i>Total capital assets</i>				
<i>Other assets</i>				
Unamortized bond discount	-	419,818	-	419,818
	<u>1,850,880</u>	<u>33,442,869</u>	<u>2,567,406</u>	<u>37,861,155</u>
<i>Total noncurrent assets</i>				
<i>Total assets</i>	<u>\$ 3,601,103</u>	<u>\$ 47,261,776</u>	<u>\$ 2,704,763</u>	<u>\$ 53,567,642</u>

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

Governmental
Activities-
Internal
Service Funds

\$	516,596
	-
	39,964
	-
	-
	<u>556,560</u>
	-
	-
	<u>1,200,000</u>
	<u>1,200,000</u>
	-
	-
	-
	-
	<u>1,200,000</u>
\$	<u><u>1,756,560</u></u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2006

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	Solid Waste Disposal	Joint Water and Sewer	Nonmajor Enterprise Funds	Total
<i>Liabilities and Net Assets</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 52,883	\$ 239,402	\$ 5,410	\$ 297,695
Accrued expenses	39,731	70,379	15,800	125,910
Interfund payable	-	-	-	-
Deferred revenue	-	-	-	-
Compensated absences				
current portion	10,220	15,329	-	25,549
Bond payable - current portion	-	905,000	-	905,000
Note payable - current portion	50,721	-	-	50,721
	<u>153,555</u>	<u>1,230,110</u>	<u>21,210</u>	<u>1,404,875</u>
<i>Total current liabilities</i>				
<i>Noncurrent liabilities</i>				
Bonds payable - net of current portion	-	14,655,000	-	14,655,000
Note payable - net of current portion	400,397	-	-	400,397
Compensated absences	27,958	41,928	6,431	76,317
Customer deposits	-	721,036	-	721,036
Estimated liability - landfill closure and post closure care	1,960,339	-	-	1,960,339
	<u>2,388,694</u>	<u>15,417,964</u>	<u>6,431</u>	<u>17,813,089</u>
<i>Total noncurrent liabilities</i>				
<i>Net Assets</i>				
Invested in capital assets, net of related debt	1,058,854	17,624,657	2,567,406	21,584,108
Restricted for computer lease	-	-	-	-
Restricted for insurance claims	-	-	-	-
Unrestricted	-	12,989,045	109,716	12,765,570
	<u>1,058,854</u>	<u>30,613,702</u>	<u>2,677,122</u>	<u>34,349,678</u>
<i>Total net assets</i>				
<i>Total liabilities and net assets</i>	<u>\$ 3,601,103</u>	<u>\$ 47,261,776</u>	<u>\$ 2,704,763</u>	<u>\$ 53,567,642</u>

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

Governmental
Activities-
Internal
Service Funds

\$ 33,300

-

-

-

-

-

-

33,300

-

-

-

-

-

-

-

291

1,722,969

-

1,723,260

\$ 1,756,560

STATE OF NEW MEXICO
CITY OF CARLSBAD
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2006

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	<u>Solid Waste Disposal</u>	<u>Joint Water and Sewer</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
<i>Operating revenues:</i>				
State shared taxes				
pledged for revenue bond	\$ 500,903	\$ -	\$ -	\$ 500,903
Charges for services	3,278,724	7,243,832	227,180	10,749,736
Fines and forfeits	-	-	-	-
State and county grants	468,409	-	-	468,409
Federal grants	-	-	364,026	364,026
Miscellaneous	221	508	6,020	6,749
<i>Total operating revenues</i>	<u>4,248,257</u>	<u>7,244,340</u>	<u>597,226</u>	<u>12,089,823</u>
<i>Operating expenses:</i>				
Current:				
Personnel services	1,164,100	2,359,624	413,083	3,936,807
Power and fuel	2,444	-	-	2,444
General insurance	-	-	-	-
Workers' compensation and health benefits	-	-	-	-
Other operating expenses	2,480,946	3,086,942	510,224	6,078,112
<i>Total operating expenses</i>	<u>3,647,490</u>	<u>5,446,566</u>	<u>923,307</u>	<u>10,017,363</u>
<i>Operating income (loss)</i>	<u>600,767</u>	<u>1,797,774</u>	<u>(326,081)</u>	<u>2,072,460</u>
<i>Nonoperating revenues (expenses):</i>				
Sale of assets	3,653	1,423	-	5,076
Interest income	45,552	294,162	-	339,714
Interest expense	(23,839)	(783,224)	-	(807,063)
<i>Total nonoperating revenues (expenses)</i>	<u>25,366</u>	<u>(487,639)</u>	<u>-</u>	<u>(462,273)</u>
<i>Income before transfers</i>	<u>626,133</u>	<u>1,310,135</u>	<u>(326,081)</u>	<u>1,610,187</u>
Transfers in	177,372	488,454	703,618	1,369,444
Transfers (out)	(1,317,626)	(2,058,845)	(19,673)	(3,396,144)
<i>Total transfers</i>	<u>(1,140,254)</u>	<u>(1,570,391)</u>	<u>683,945</u>	<u>(2,026,700)</u>
<i>Change in net assets</i>	<u>(514,121)</u>	<u>(260,256)</u>	<u>357,864</u>	<u>(416,513)</u>
<i>Net assets - beginning of year</i>	1,572,975	32,591,659	2,319,258	36,483,892
Prior period adjustment	-	(1,717,701)	-	(1,717,701)
<i>Net assets - beginning of year as restated</i>	<u>1,572,975</u>	<u>30,873,958</u>	<u>2,319,258</u>	<u>34,766,191</u>
<i>Net assets - end of year</i>	<u>\$ 1,058,854</u>	<u>\$ 30,613,702</u>	<u>\$ 2,677,122</u>	<u>\$ 34,349,678</u>

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

Governmental
 Activities-
 Internal
Service Funds

\$	-
	-
	-
	-
	-
	<u>3,377,958</u>
	<u>3,377,958</u>
	-
	-
	703,146
	3,871,679
	<u>136,440</u>
	<u>4,711,265</u>
	<u>(1,333,307)</u>
	-
	39,616
	-
	<u>39,616</u>
	<u>(1,293,691)</u>
	1,439,071
	<u>(172,425)</u>
	<u>1,266,646</u>
	<u>(27,045)</u>
	1,750,305
	-
	<u>1,750,305</u>
\$	<u><u>1,723,260</u></u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Solid Waste Disposal</u>	<u>Joint Water and Sewer</u>	<u>Nonmajor Enterprise Funds</u>
Cash flows from operating activities			
Receipts from customers and users	\$ 3,638,060	\$ 7,149,957	\$ 233,200
Receipts from interfund services provided	-	-	-
Operating grant	468,409	-	341,732
Payments to suppliers	(1,757,049)	(1,926,647)	(407,549)
Cash paid for interfund services used	-	-	-
Payments to employees	<u>(1,147,827)</u>	<u>(2,356,158)</u>	<u>(399,841)</u>
Net cash provided (used) operating activities	<u>1,201,593</u>	<u>2,867,152</u>	<u>(232,458)</u>
Cash flows from noncapital financing activities:			
Customer deposits, net	-	-	-
Receipts (payments) on interfund balances	-	(559,096)	-
Operating transfers in (out)	<u>(1,140,254)</u>	<u>(1,570,391)</u>	<u>683,945</u>
Net cash provided (used) by noncapital financing activities	<u>(1,140,254)</u>	<u>(2,129,487)</u>	<u>683,945</u>
Cash flows from capital and related financing activities:			
Acquisitions and construction of capital assets	(199,865)	(2,677,110)	(408,447)
Gross receipts taxes	500,903	-	-
Principal paid on capital debt	(179,642)	(870,000)	-
Interest paid on capital debt	(23,839)	(783,224)	-
Loan proceeds	-	-	-
Proceeds from sale of fixed assets	<u>3,653</u>	<u>1,423</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>101,210</u>	<u>(4,328,911)</u>	<u>(408,447)</u>
Cash flows from investing activities:			
Interest income	45,552	294,162	-
Acquisition of new note receivable	-	-	-
Payments received on notes receivable	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>45,552</u>	<u>294,162</u>	<u>-</u>
Net increase (decrease) in cash and temporary investments	<u>\$ 208,101</u>	<u>\$ (3,297,084)</u>	<u>\$ 43,040</u>

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

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 11,021,217	\$ -
-	3,377,958
810,141	-
(4,091,245)	-
-	(4,677,965)
<u>(3,903,826)</u>	<u>-</u>
<u>3,836,287</u>	<u>(1,300,007)</u>
-	-
(559,096)	-
<u>(2,026,700)</u>	<u>1,266,646</u>
<u>(2,585,796)</u>	<u>1,266,646</u>
(3,285,422)	-
500,903	-
(1,049,642)	-
(807,063)	-
-	-
<u>5,076</u>	<u>-</u>
<u>(4,636,148)</u>	<u>-</u>
339,714	23,690
-	-
<u>-</u>	<u>-</u>
<u>339,714</u>	<u>23,690</u>
\$ <u>(3,045,943)</u>	<u>(9,671)</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Solid Waste Disposal</u>	<u>Joint Water and Sewer</u>	<u>Nonmajor Enterprise Funds</u>
Net increase (decrease) in cash and temporary investments-from previous page	\$ 208,101	\$ (3,297,084)	\$ 43,040
Cash and temporary investments-beginning of year	<u>1,292,923</u>	<u>16,011,988</u>	<u>72,023</u>
Cash and temporary investments-end of year	<u>\$ 1,501,024</u>	<u>\$ 12,714,904</u>	<u>\$ 115,063</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 600,767	\$ 1,797,774	\$ (326,081)
Adjustments to reconcile operating income to net cash provided by operating activities			
Taxes	(500,903)	-	-
Depreciation expense	459,728	998,519	110,558
Amortization expense	-	32,502	-
(Increase) decrease in:			
Accounts receivable	(68,067)	(144,465)	(22,294)
Inventories	-	(22,977)	-
(Decrease) increase in:			
Accounts payable	544	152,251	(1,452)
Accrued expenses	(16,273)	3,466	6,811
Deferred revenue	-	-	-
Estimated landfill postclosure liabilities	725,797	-	-
Refundable customer deposits	-	50,082	-
Net cash provided (used) by operating activities	<u>\$ 1,201,593</u>	<u>\$ 2,867,152</u>	<u>\$ (232,458)</u>
Cash and temporary investments:			
Cash and cash equivalents	\$ 337,586	\$ 366,598	\$ 115,063
Investments	1,105,000	11,604,912	-
Restricted assets - debt service	55,590	-	-
Restricted assets - capital acquisitions	2,848	396,117	-
Restricted assets - other purposes	-	347,277	-
Total cash and temporary investments	<u>\$ 1,501,024</u>	<u>\$ 12,714,904</u>	<u>\$ 115,063</u>

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

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ (3,045,943)	\$ (9,671)
<u>17,376,934</u>	<u>1,726,267</u>
\$ <u><u>14,330,991</u></u>	\$ <u><u>1,716,596</u></u>
\$ 2,072,460	\$ (1,333,307)
(500,903)	-
1,568,805	-
32,502	-
(234,826)	-
(22,977)	-
151,343	33,300
(5,996)	-
-	-
725,797	-
<u>50,082</u>	<u>-</u>
\$ <u><u>3,836,287</u></u>	\$ <u><u>(1,300,007)</u></u>
\$ 819,247	\$ 516,596
12,709,912	-
55,590	-
398,965	-
<u>347,277</u>	<u>1,200,000</u>
\$ <u><u>14,330,991</u></u>	\$ <u><u>1,716,596</u></u>

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STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies

The City of Carlsbad (City) was established on March 25, 1918 by proclamation of W.E. Lindsey, Governor of the State of New Mexico. The City operates under an elected Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, water supply, airport operations, and general government administrative services.

This summary of significant accounting policies of the City of Carlsbad is presented to assist in the understanding of City of Carlsbad's financial statements. The financial statements and notes are the representation of City of Carlsbad's management who is responsible for their integrity and objectivity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the government's accounting policies are described below.

A. *Financial Reporting Entity*

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No.14 and 39. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has no discretely presented component units.

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies (continued)

B. *Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund 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 to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if applicable, 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.

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*, as are the proprietary fund and fiduciary fund, if applicable, financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, net of estimated refunds and estimated uncollectible amounts, are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements of time, reimbursement and contingencies imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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 due.

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies (continued)

C. *Measurement focus, basis of accounting, and financial statement presentation (continued)*

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

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

The government reports the following major proprietary funds:

The *Joint Water and Sewer Fund* accounts for the provision of water and sewer services to the residents of the City of Carlsbad. All activities necessary to provide such services are accounted for in this fund.

The *Solid Waste Disposal Fund* accounts for the provision of garbage and refuse removal services to the residents of the City of Carlsbad. All activities necessary to provide such services are accounted for in this fund.

The City has three internal service funds. These funds account for the costs of providing insurance coverage and liability claims against the City, providing group health and worker's compensation benefits to City employees, and providing computer equipment to various departments of the City through equipment leases.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected to follow subsequent private-sector guidance.

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies (continued)

C. *Measurement focus, basis of accounting, and financial statement presentation* (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 solid waste and water and sewer funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

Deposits and Investments: The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the City are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies (continued)

D. *Assets, Liabilities and Net Assets or Equity (continued)*

Receivables and Payables: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables 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 a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are not recorded as revenue until received.

Pursuant to the provisions of 7-38-1 through 7-38-93, NMSA 1978, a copy of the property tax schedule prepared by the county assessor shall be delivered to the county treasurer on October 1 of each tax year. Upon receipt of the property tax schedule, the county treasurer shall prepare and mail property tax bills no later than November 1 of each tax year. Property taxes in the amount of \$10 or over, are payable to the county treasurer in equal installments due on November 10th and April 10th. Property taxes uncollected after May 10th are considered delinquent. The taxes attach as an enforceable lien on property as of January 1st.

Inventories and Prepaid Items: Inventories in governmental funds consist of expendable supplies held for consumption, and are valued at cost using a first-in, first-out (FIFO) method. Expendable supplies are reported at cost, and expenditures are recorded at the time individual inventory items are purchased. 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 expenditures when consumed rather than when purchased.

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies (continued)

D. *Assets, Liabilities and Net Assets or Equity (continued)*

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. State law sets a capitalization threshold of \$5,000 for acquisitions of property and equipment (12-10-10 NMSA 1978). The City has elected to continue to capitalize acquisitions of property and equipment under their internal capitalization policy. Capital assets are defined by the government as all assets costing more than \$500 with an estimated useful life in excess of one year, however, the City does capitalize certain assets with costs below the threshold because it deems the tracking of such assets to be important. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. 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. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements other than buildings	10-20
Water and sewer system	40
Other infrastructure	25
Machinery, equipment & software	5-10

Water rights owned by the City are reviewed for impairment on an annual basis and the carrying value is adjusted as necessary.

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies (continued)

D. *Assets, Liabilities and Net Assets or Equity* (continued)

Deferred Revenues: Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as deferred revenues. Utility service prepayments in the Enterprise Funds are reported as deferred revenue until the earnings process is complete.

Compensated Absences: Each employee of the City may accumulate a total of 10 to 30 days vacation and 12 days of sick leave per year, however, employees are not paid for the accumulated sick leave upon retirement or other termination. A maximum of 75 days vacation may be accumulated for executive officers. Appointed officers may accrue 27 days of paid time off per year with no maximum accumulation. Hourly workers may accumulate up to 30 days of vacation. The City accrues a liability for compensated absences which meet the following criteria:

- A. The City's obligation related to employees' rights to receive compensation for future absences is attributable to employees service already rendered.
- B. The obligation relates to rights that vest or accumulate.
- C. Payment of the compensation is probable.
- D. The amount can be reasonably estimated.

In accordance with the above criteria, the City has accrued a liability for vacation pay which has been earned but not taken by City employees. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds anticipate that none of the liability will be liquidated with expendable available financial resources, so this liability is not reported, while the proprietary funds report a liability as it is incurred.

Long-term Obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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.

Fund Equity: In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Reclassifications: Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year's presentation.

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies (continued)

D. *Assets, Liabilities and Net Assets or Equity* (continued)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

The City Charter establishes the City's fiscal year as the twelve-month period beginning July 1 and ending June 30. Prior to June 1 the management of each department submits to the City Manager a proposed operating budget of estimated revenues, expenditures, and transfers for the ensuing fiscal year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds Enterprise Funds and Internal Service Funds. Management subsequently submits the budget (1) to the City Council for review and approval; and (2) the New Mexico Department of Finance and Administration (DFA) for review and (3) to the City Council for enactment of a resolution legally adopting the budget. Once approved by the DFA and finalized by enactment of the resolution legally adopting the budget, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations with the approval of the New Mexico Department of Finance and Administration.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by department and general ledger account. Expenditures are budgeted by department and general ledger account. Expenditures may not exceed appropriations at the fund level. All budget revisions at this level are subject to final review and approval by the City Council and the Department of Finance and Administration. Revisions to the budget were made throughout the year.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the presentation of the annual financial statements for the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, Enterprise Funds and Internal Service Funds.

The appropriated budget for the year ended June 30, 2006 was properly amended by the City Council through the year. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ 234,099	\$ (667,592)
Nonmajor governmental funds	\$ (12,568,065)	\$ (12,988,060)
Solid Waste Disposal	\$ 1,325,216	\$ 1,311,716
Joint Water and Sewer	\$ (3,047,285)	\$ (3,516,685)
Nonmajor proprietary funds	\$ (1,544,941)	\$ (1,953,568)

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

The following is a reconciliation between the Non-GAAP budgetary (cash) basis amounts and the governmental fund (GAAP basis) financial statements by fund type:

	General Fund	Nonmajor Governmental Funds
Excess (deficiency) of revenues over expenditures (GAAP Basis)	\$ 1,177,252	\$ (6,947,415)
Adjustments:		
Receivables	(390,728)	182,532
Accounts payable	45,309	272,728
Accrued expenses	121,682	1,154
Deferred revenue	(10,064)	-
Adjustment to capital outlay for assets transferred to proprietary funds	-	(982,752)
Other	30	(2)
Excess (deficiency) of revenues over expenditures (Budget Basis)	\$ 943,481	\$ (7,473,755)

The following is a reconciliation between the Non-GAAP budgetary (cash) basis amounts and the proprietary fund financial statements:

	Solid Waste Disposal	Joint Water and Sewer	Nonmajor Enterprise Funds
Income before transfers (GAAP Basis)	\$ 626,133	\$ 1,310,135	\$ (326,081)
Adjustments:			
Receivables	(74,363)	(144,465)	(22,294)
Capital outlay	(24,923)	(2,042,794)	(58,734)
Accounts payable	544	152,251	(1,452)
Accrued expenses	709,524	3,466	13,242
Refundable deposits	-	50,082	
Inventory	-	(22,977)	
Principal on long-term debt	(179,642)	(870,000)	-
Depreciation and amortization	459,728	1,031,021	110,558
Other	(3,653)	8,244	(2,642)
Excess (deficiency) of revenues over expenditures (Budget Basis)	\$ 1,513,348	\$ (525,037)	\$ (287,403)

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

The following is a reconciliation between the Non-GAAP budgetary (cash) basis amounts and the internal service fund financial statements.

	Internal Service Funds
Income before transfers (GAAP Basis)	\$ (1,293,691)
Adjustments:	
Receivables	(15,926)
Accounts payable	33,300
Accrued expenses	-
Other	-
Excess (deficiency) of revenues	-
over expenditures (Budget Basis)	\$ (1,276,317)

NOTE 3. Deposits and Investments

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. The City is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2006.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks 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 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.

Excess of funds may be temporarily invested 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.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of 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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 3. Deposits and Investments (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the City for at least one half of the amount on deposit with the institution. As of June 30, 2006 \$20,379,152 of the City's bank balances were exposed to custodial credit risk as follows:

	Carlsbad National Bank	Pioneer Bank	Wells Fargo Bank	Western Commerce	Total
Year ended June 30, 2006					
Total amount of deposits	\$ 3,547,870	\$ 2,100,000	\$ 9,632,190	\$ 5,799,092	\$ 21,079,152
FDIC Coverage	(200,000)	(100,000)	(200,000)	(200,000)	(700,000)
Total uninsured public funds	3,347,870	2,000,000	9,432,190	5,599,092	20,379,152
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the City's name	3,347,870	1,229,262	5,524,395	5,370,164	15,471,691
Uninsured and uncollateralized	\$ -	\$ 770,738	\$ 3,907,795	\$ 228,928	\$ 4,907,461
Collateral requirement (50% of uninsured public funds)	\$ 1,673,935	\$ 1,000,000	\$ 4,716,095	\$ 2,799,546	\$ 10,189,576
Pledged securities	6,111,279	1,229,262	5,524,395	5,370,164	18,235,100
Over (under) collateralization	\$ 4,437,344	\$ 229,262	\$ 808,300	\$ 2,570,618	\$ 8,045,524

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk. At June 30, 2006, the City's investment balances were exposed to custodial credit risk as follows:

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 3. Deposits and Investments (continued)

	Wells Fargo Bank	Bank of Albuquerque	NMFA State Treasurer's Debt Service	Total
Year ended June 30, 2006				
Investments held in the City's name by a custodial bank that is an agent of the City:				
U. S. Government Agency Securities	\$ 6,224,911	\$ -	\$ -	\$ 6,224,911
Investment in US Treasury Mutual Fund #0042	-	2,294,852	-	2,294,852
Debt service reserve account held at the New Mexico Finance Authority (NMFA) State Treasurer's debt service fund	-	-	81,669	81,669
Total investments subject to custodial credit risk	\$ 6,224,911	\$ 2,294,852	\$ 81,669	\$ 8,601,432

Credit Risk

As of June 30, 2006, the City's investments were rated as follows:

<u>Investment Type</u>	<u>Rating</u>
U. S. Government Obligations:	
US Treasury Notes	No rating
US Treasury Mutual Fund #0042	No rating
State Treasurer's Debt Service Fund	No rating

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 3. Deposits and Investments (continued)

Interest Rate Risk

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. The City's investments at June 30, 2006 include the following:

Investments	Maturities	Fair Value
US Treasury Notes	1-5 Years	\$ 6,224,911

Reconciliation to the Statements of Net Assets

The carrying amounts of deposits and investments shown above are included in the City's statement of net assets as follows:

	2006
Carrying amount	
Deposits	\$ 19,958,408
Investments	8,601,432
Petty Cash	2,809
	\$ 28,562,649
Included in the following statement of net assets captions	
Cash and cash equivalents	\$ 8,672,823
Investments	16,769,912
Restricted cash and investments	3,119,914
	\$ 28,562,649

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 4. Receivables and Payables

Receivables as of June 30, 2006, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Governmental Activities:				
State of New Mexico				
Gross receipts taxes				
Municipal	\$ 1,294,040	\$ -	\$ -	\$ 1,294,040
Infrastructure	127,310	-	-	127,310
1.35%	1,295,604	-	-	1,295,604
Environmental Infrastructure	-	127,310	-	127,310
Ambulance calls	1,766	-	-	1,766
Grants	-	5,807	-	5,807
Rents and royalties	17,876	-	-	17,876
Green fees	2,566	-	-	2,566
Gasoline tax	-	38,748	-	38,748
County property taxes	105,562	-	-	105,562
Franchise taxes	131,829	-	-	131,829
Lodger's tax	-	58,569	-	58,569
Auto license distribution	1,714	8,087	-	9,801
Accrued interest	44,659	498	39,964	85,121
Total Governmental Activities	<u>3,022,926</u>	<u>239,019</u>	<u>39,964</u>	<u>3,301,909</u>
Business Type Activities:				
Gross receipts taxes	-	-	63,916	63,916
Grants	-	-	22,294	22,294
Landfill charges	-	-	6,609	6,609
Refund on claim	-	-	2,769	2,769
Reimbursements	-	-	19,957	19,957
Accrued interest	-	-	93,864	93,864
	<u>-</u>	<u>-</u>	<u>209,409</u>	<u>209,409</u>
Receivable from customers				
Solid waste	-	-	251,872	251,872
Water and sewer	-	-	732,015	732,015
Unbilled Receivables	-	-	338,280	338,280
Uncollectible amounts	-	-	(147,583)	(147,583)
Subtotal	<u>-</u>	<u>-</u>	<u>1,174,584</u>	<u>1,174,584</u>
Total Business Type Activities	<u>-</u>	<u>-</u>	<u>1,383,993</u>	<u>1,383,993</u>
Total Accounts Receivable	<u>\$ 3,022,926</u>	<u>\$ 239,019</u>	<u>\$ 1,423,957</u>	<u>\$ 4,685,902</u>

STATE OF NEW MEXICO
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Notes to Financial Statements
June 30, 2006

NOTE 4. Receivables and Payables

Payables as of June 30, 2006, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Suppliers and service providers	\$ 797,298	\$ 784,732	\$ 1,582,030
Capital assets	567,083	297,695	864,778
Payable to and on behalf of employees	745,108	101,866	846,974
Interest payable	<u>89,396</u>	<u>62,214</u>	<u>151,610</u>
	<u>\$ 2,198,885</u>	<u>\$ 1,246,507</u>	<u>\$ 3,445,392</u>

NOTE 5. Interfund Receivables, Payables, and Transfers

The City recorded due to/from other funds to reflect a temporary loan between funds. The purpose of the loans was to cover cash shortages until reimbursements could be obtained.

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
WIPP Acceleration Impact	Federal Projects	\$ 36,975
Joint Water and Sewer	State Legislative	218,981
Joint Water and Sewer	Water System Improvement	101,360
Joint Water and Sewer	Sports Complex	243,196
		<u>\$ 600,512</u>

The City recorded interfund transfers to reflect a temporary transfer of cash due to need within the funds, the transfer of capital expenditures to proprietary funds and to transfer cash to the internal service funds. The composition of interfund transfers during the year ended June 30, 2006 is as follows:

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CITY OF CARLSBAD
Notes to Financial Statements
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NOTE 5. Interfund Receivables, Payables, and Transfers (continued)

Transfer In	Transfer Out	Amount
General Fund	Solid Waste Disposal	\$ 777,939
General Fund	Joint Water and Sewer	830,000
General Fund	Group Health Insurance	133,808
Computer Lease Equipment	General Fund	76,165
Computer Lease Equipment	Municipal Transit	2,915
Computer Lease Equipment	Performing Arts Centre	758
Computer Lease Equipment	Fire Protection	11,000
Computer Lease Equipment	Recreation	760
Computer Lease Equipment	Solid Waste Disposal	2,720
Computer Lease Equipment	Law Enforcement Protection	27,862
Computer Lease Equipment	Joint Water and Sewer	7,891
Municipal Transit	General Fund	125,000
Municipal Transit	Group Health Insurance	1,076
Municipal Transit	Water System Improvement	14,676
Municipal Transit	State Legislative	92,926
Performing Arts Centre	General Fund	43,040
Performing Arts Centre	Lodger's Tax	91,000
Performing Arts Centre	State Legislative	218,124
Recreation	General Fund	138,479
Recreation	Group Health Insurance	969
Solid Waste Disposal	Group Health Insurance	13,390
Solid Waste Disposal	Water System Improvement	163,982
Cemetery	General Fund	90,000
Cemetery	Water System Improvement	27,776
General Insurance	General Fund	431,000
General Insurance	Solid Waste Disposal	431,000
General Insurance	Joint Water and Sewer	431,000
General Insurance	Municipal Transit	16,000
Local Government Corrections	General Fund	78,000
Special Police Program	General Fund	1,933
Joint Water and Sewer	Group Health Insurance	23,182
Joint Water and Sewer	Water System Improvement	465,272
Park Improvement	General Fund	4,500
Sewer System Improvement	Joint Water and Sewer	445,000
Water System Improvement	Joint Water and Sewer	194,954
Street Improvement	General Fund	106,000
2002 Sales Tax Revenue	General Fund	366,063
2002 Bond Acquisition	General Fund	1,000,000
Old Landfill Closure	Solid Waste Disposal	65,017
Sandpoint Landfill Construction	Solid Waste Disposal	40,950
CDBG	General Fund	1,578
CDBG	Street Improvement	162
Water System Improvement	Joint Water and Sewer	150,000
Federal Projects	General Fund	351,281
WIPP Acceleration Impact	General Fund	150,000
		<u>\$ 7,645,148</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2006 follows:

	<u>Balance</u> 6/30/2005	<u>Additions and</u> <u>Transfers</u>	<u>Deletions and</u> <u>Transfers</u>	<u>Balance</u> 6/30/2006
Governmental activities:				
Non-depreciable assets:				
Land and water rights	\$ 1,436,326	\$ 491,490	\$ -	\$ 1,927,816
Construction in progress	<u>2,049,981</u>	<u>544,843</u>	<u>2,049,981</u>	<u>544,843</u>
	<u>3,486,307</u>	<u>1,036,333</u>	<u>2,049,981</u>	<u>2,472,659</u>
Depreciable assets:				
Structures and improvements	28,297,517	6,361,740	-	34,659,257
Less accumulated depreciation	<u>14,721,240</u>	<u>349,380</u>	<u>-</u>	<u>15,070,620</u>
	<u>13,576,277</u>	<u>6,012,360</u>	<u>-</u>	<u>19,588,637</u>
Equipment and software	9,559,302	2,107,667	67,103	11,599,866
Less accumulated depreciation	<u>6,734,471</u>	<u>1,044,367</u>	<u>64,836</u>	<u>7,714,002</u>
	<u>2,824,831</u>	<u>1,063,300</u>	<u>2,267</u>	<u>3,885,864</u>
Infrastructure	24,562,171	2,933,398	-	27,495,569
Less accumulated depreciation	<u>10,101,196</u>	<u>534,929</u>	<u>-</u>	<u>10,636,125</u>
	<u>14,460,975</u>	<u>2,398,469</u>	<u>-</u>	<u>16,859,444</u>
Governmental activities capital assets (net)	<u>\$ 34,348,390</u>	<u>\$ 10,510,462</u>	<u>\$ 2,052,248</u>	<u>\$ 42,806,604</u>

Certain reclassifications of amounts previously reported not affecting the overall balance of capital assets were made within the above asset categories, including \$114,728 moved from structures and improvements to equipment and software.

Depreciation expense was charged to governmental activities as follows:

General government	\$ 211,532
Public safety	423,064
Public works	730,747
Culture and recreation	505,642
Economic development	38,460
Public health and welfare	19,231
Total depreciation expense	<u>\$ 1,928,676</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 6. Capital Assets (continued)

	(Restated) Balance 6/30/2005	Additions and Transfers	Deletions and Transfers	Balance 6/30/2006
Business-type activities:				
Non-depreciable assets:				
Land and water rights	\$ 1,547,424	\$ 76,536	\$ -	\$ 1,623,960
Construction in progress	1,925,843	319,935	1,925,843	319,935
	<u>3,473,267</u>	<u>396,471</u>	<u>1,925,843</u>	<u>1,943,895</u>
Depreciable assets:				
Utility property and structures	49,007,718	3,327,321	-	52,335,039
Less accumulated depreciation	19,272,753	1,213,429	-	20,486,182
	<u>29,734,965</u>	<u>2,113,892</u>	<u>-</u>	<u>31,848,857</u>
Equipment and software	6,171,610	1,882,015	185,324	7,868,301
Less accumulated depreciation	4,851,498	355,374	185,324	5,021,548
	<u>1,320,112</u>	<u>1,526,641</u>	<u>-</u>	<u>2,846,753</u>
Business-type capital assets (net)	<u>\$ 34,528,344</u>	<u>\$ 4,037,004</u>	<u>\$ 1,925,843</u>	<u>\$ 36,639,505</u>

Capital assets, net of accumulated depreciation, at June 30, 2006 appear in the Statement of Net Assets as follows:

Governmental activities		
Land, water rights and construction in progress		\$ 2,472,659
Other assets, net of accumulated depreciation		40,333,945
Business type activities:		
Land, water rights and construction in progress		1,943,895
Other assets, net of accumulated depreciation		34,695,610
		<u>\$ 79,446,109</u>

NOTE 7. Long-term Debt

Governmental activities bonds and notes payable at June 30, 2006 are comprised of the following:

	Sales Tax Revenue Bonds Series 2002
Original issue:	<u>October 1</u>
Principal:	April 1 & October 1 \$3,710,000
Interest rates:	4.0 to 4.85%

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 7. Long-Term Debt (continued)

The annual requirements to amortize the 2002 Bond Issue outstanding as of June 30, 2006, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 225,000	\$ 142,262	\$ 367,262
2008	230,000	133,163	363,163
2009	245,000	123,663	368,663
2010	255,000	113,344	368,344
2011	270,000	102,120	372,120
2012-2016	1,085,000	289,965	1,374,965
2017-2021	955,000	70,931	1,025,931
Total	\$ 3,265,000	\$ 975,448	\$ 4,240,448

The notes payable as of June 30, 2006 are comprised of the following:

3.549% note payable for Fire Pumper and Aerial Platform Truck, principal due in annual payments of various amounts, interest due in semi-annual payments of various amounts, through May 2021, payable to NMFA.	\$ 958,758
Less current portion	(56,653)
	\$ 902,105

The annual requirements to amortize the loan outstanding as of June 30, 2006, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 56,653	\$ 31,632	\$ 88,285
2008	57,721	30,567	88,288
2009	58,980	29,311	88,291
2010	60,442	27,852	88,294
2011	62,108	26,190	88,298
2012-2016	268,664	84,575	353,239
2017-2021	394,190	47,496	441,686
Total	\$ 958,758	\$ 277,623	\$ 1,236,381

STATE OF NEW MEXICO
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Notes to Financial Statements
June 30, 2006

NOTE 7. Long-Term Debt (continued)

.9% to 3.27% note payable for Sports Complex, due in annual payments of various amounts for principal, and interest payments due in semi-annual payments, through January 2014, payable to NMFA.	\$ 2,996,979
Less current portion	<u>(343,895)</u>
	<u>\$ 2,653,084</u>

The annual requirements to amortize the loan outstanding as of June 30, 2006, including interest payments is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 343,895	\$ 76,830	\$ 420,725
2008	350,204	71,396	421,600
2009	357,788	64,707	422,495
2010	366,612	56,800	423,412
2011	376,608	47,745	424,353
2012-2016	<u>1,201,872</u>	<u>77,132</u>	<u>1,279,004</u>
Total	<u>\$ 2,996,979</u>	<u>\$ 394,610</u>	<u>\$ 3,391,589</u>

Proprietary funds bonds payable at June 30, 2006 are comprised of the following:

	<u>Joint Water & Sewer Refunding & Improvement Revenue Bonds Series 1998</u>
Original issue:	November 1
Principal:	\$ 21,370,000
	June 1 & December 1
Interest rates:	4.0% to 4.75%

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 7. Long-Term Debt (continued)

The annual requirements to amortize the 1998 Bond Issue outstanding as of June 30, 2006, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 905,000	\$ 716,828	\$ 1,621,828
2008	950,000	678,366	1,628,366
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
2012-2016	4,815,000	1,684,106	6,499,106
2017-2021	5,800,000	704,900	6,504,900
Total	\$ <u>15,560,000</u>	\$ <u>5,568,142</u>	\$ <u>21,128,142</u>

The note payable of the proprietary funds as of June 30, 2006 is comprised of the following:

1.26% to 3.67% note payable for Solid Waste vehicles, principal due in annual payments of various amounts, interest due in semi-annual payments of various amounts, through May 2014, payable to NMFA.	\$ 451,118
Less current portion	<u>(50,721)</u>
	<u>\$ 400,397</u>

The annual requirements to amortize the loan outstanding as of June 30, 2006, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 50,721	\$ 13,176	\$ 63,897
2008	51,978	11,947	63,925
2009	53,441	10,528	63,969
2010	55,085	8,946	64,031
2011	56,885	7,213	64,098
2012-2016	183,008	9,745	192,753
Total	\$ <u>451,118</u>	\$ <u>61,555</u>	\$ <u>512,673</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 7. Long-Term Debt (continued)

Change in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 3,480,000	\$ -	\$ 215,000	\$ 3,265,000	\$ 225,000
NMFA notes payable:					
Sports Complex	3,335,847	-	338,868	2,996,979	343,895
Fire Protection	-	1,000,000	41,242	958,758	56,653
Compensated absences	834,725	364,832	454,449	745,108	78,951
	<u>\$ 7,650,572</u>	<u>\$ 1,364,832</u>	<u>\$ 1,049,559</u>	<u>\$ 7,965,845</u>	<u>\$ 704,499</u>
Business-type activities:					
Revenue bonds:					
Governmental Gross					
Receipts Tax	\$ 130,000	\$ -	\$ 130,000	\$ -	\$ -
Joint Water and Sewer					
Refunding and Improvement	16,430,000	-	870,000	15,560,000	905,000
NMFA note payable	500,760	-	49,642	451,118	50,721
Landfill closure and					
Postclosure	1,924,722	35,617	-	1,960,339	-
Compensated absences	118,307	112,082	128,523	101,866	25,549
	<u>\$ 19,103,789</u>	<u>\$ 147,699</u>	<u>\$ 1,178,165</u>	<u>\$ 18,073,323</u>	<u>\$ 981,270</u>

In prior years, the general fund has typically been used to liquidate compensated absences.

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 8. Risk Management

The City maintains a self-insurance program for workers' compensation and employee health benefits. These programs are accounted for in the Internal Service Funds. Funding is provided by charging the other funds as costs are incurred for workers' compensation benefits and charging an estimated premium based on a minimum premium 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.

The City continues to carry commercial insurance for all other risks.

NOTE 9. PERA Pension Plan

Plan Description

Certain of the City of Carlsbad employees participate in the 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 retirement plan. The plan provides for retirement, 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. That report may be obtained by writing to PERA, P. O. Box 26129, Santa Fe, New Mexico 87502.

Funding Policy

Plan members (other than police and fire) are required to contribute 13.15% of their gross salary. Law enforcement and fire plan members are required to contribute 16.3% and 16.2% of their gross salary, respectively. The City of Carlsbad is required to contribute 18.5% for law enforcement, 21.25% for fire, and 9.15% for all other plan members. The contribution requirements of plan members and the City of Carlsbad are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by act of the legislature. The City of Carlsbad's contributions to PERA for the years ending June 30, 2006, 2005 and 2004 were approximately \$1,529,545, \$1,460,142, and \$1,423,197, respectively, which equal the amount of the required contributions for all years. The City of Carlsbad's employee contributions to PERA for the years ending June 30, 2006, 2005, and 2004 were approximately \$1,706,171, \$1,636,014, and \$1,595,233, respectively.

NOTE 10. 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 \$3,547,870 as of June 30, 2006. The City purchases goods and services from a local business owned by the Mayor. Purchases for the year ended June 30, 2006 totaled \$55,973.

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CITY OF CARLSBAD
Notes to Financial Statements
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NOTE 11. Retiree Health Care Act Contributions

The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments of out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

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 Retiree Health Care Act on the person's behalf unless that person retires before the employer's NMRHCA effective date, in which 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; or (2) retirees defined by the act who retired prior to July 1, 1990; and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount 1.3 percent of each participating employee's annual salary. Each employee contributes to the fund an employee contribution in an amount equal to .65 percent of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. This report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, NM 87107.

For the fiscal years ended June 30, 2006, 2005, and 2004, City of Carlsbad remitted \$156,256, \$150,044, and \$146,289 in employer contributions and \$78,113, \$75,015, and \$73,152 in employee contributions, respectively, to the Retiree Health Care Authority.

STATE OF NEW MEXICO
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Notes to Financial Statements
June 30, 2006

NOTE 12. Contingencies

The City of Carlsbad participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City of Carlsbad may be required to reimburse the grantor government. As of June 30, 2006, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City of Carlsbad.

The City of Carlsbad 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.

NOTE 13. Deficit Fund Balances

Generally accepted accounting principles require disclosures of the deficit fund balance of individual funds as follows:

Local Government Corrections	\$ 14,877
Sewer System Improvement	145,612
Water System Improvement	101,360
State Legislative	319,045
Federal Projects	36,975

NOTE 14. Landfill Closure and Postclosure Care

State and federal laws and regulations require that upon closing, the City of Carlsbad and County of Eddy place a final cover on their landfill and perform certain maintenance and monitoring functions at the landfill site for thirty years after the closure of the landfill. An expense provision and related liability are being recognized based on the future closure and postclosure 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 of Carlsbad and County of Eddy, the closure and postclosure care costs will be shared at 50% for each governmental agency. The recognition of these landfill closure and postclosure 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, 2006, which is based on the cumulative capacity of 5,574,000 cubic gate yards of air space to be used over its estimated life of 20 years. It is estimated that an additional \$2,269,500 of postclosure care costs will be recognized over 30 years after the landfill site is closed. The estimated total current cost of the landfill closure and postclosure 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, 2006. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology or changes in state and federal landfill laws and regulations.

The following calculation details the current amount recognized for landfill closure and postclosure care reflected in the City's liabilities:

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CITY OF CARLSBAD
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NOTE 14. Landfill Closure and Postclosure Care (continued)

Estimated landfill closure cost	\$ 15,447,127
Estimated landfill postclosure care cost	<u>2,269,500</u>
 Total estimated closure and postclosure costs	 <u><u>\$ 17,716,627</u></u>
 Total capacity used to date (approximately 1,233,526 cubic gate yards)	
as a % of total capacity (5,574,000 cubic gate yards)	22.13%
Estimated closure and postclosure care costs	\$ 3,920,678
Prior liability recognized	<u>3,849,444</u>
Total current year liability	<u>71,234</u>
	<u>50%</u>
City of Carlsbad portion	<u>35,617</u>
Prior year liability recognized	<u>1,924,722</u>
 Estimated liability for the year ended June 30, 2006	 <u><u>\$ 1,960,339</u></u>

NOTE 15. Lessor Operating Leases

Operating leases arise from the leasing of the City's land and buildings to customers in varying industries in Carlsbad. Initial lease terms generally range from 12 to 120 months. Depreciation expense for assets subject to operating leases is provided primarily on the straight-line method over the term of the lease in amounts necessary to reduce the carrying amount of the asset to its estimated residual value. Estimated and actual residual values are reviewed on a regular basis to determine that depreciation amounts are appropriate. Depreciation expense for the year ended June 30, 2006 related to land and buildings held as rental property under operating leases is included in depreciation expense of the General Government.

NOTE 16. Prior Period Restatement

During the year ended June 30, 2006, management identified a difference between the cost of capital assets reported in the financial statements, and the costs accumulated by the City's capital asset computer system. The result of the discovery of this difference was to decrease the cost of capital assets in the Joint Water and Sewer Fund by \$1,717,701, and to increase net assets by the same amount.

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2006

NOTE 17. Accounting Standards

In April, 2004, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 43, Financial Reporting for Post Employment Benefit Plans Other than Pension Plans-which amends GASB Statements No. 14, 25, 26, 27, 31 and 34, which is effective for financial statements for periods beginning after December 15, 2006. The Statement establishes uniform financial reporting standards for other post employment benefits plans and supersedes the interim guidance included in Statement No. 26. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming year.

In June, 2004 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions, an amendment to GASB Statements No. 10, 12, 27 and 26, which is effective for financial statements for periods beginning after December 15, 2006, with earlier application encouraged. The Statement establishes standards for the measurement, recognition and display of other post employment benefits expense/expenditures and related liabilities, note disclosures and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming year.

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SUPPLEMENTARY INFORMATION

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NONMAJOR FUNDS

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STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR FUNDS
June 30, 2006

Special Revenue Funds

E-911 Fund – To account for funds received from telephone customers restricted for use in providing emergency 911 telephone system and services as specified in Section 63-9D-8 NMSA 1978.

Narcotics Forfeiture Fund – To account for Police Department’s court awarded property (cash and/or property). This money is to be used for the purchase of equipment and support services as needed for the continuing fight against drug abuse in the community.

Home Program - In general, under the HOME Investment Partnerships Program, HUD allocates funds by formula among eligible State and local governments 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. [Code of Federal Regulations][Title 24, Volume 1] [Revised as of April 1, 2004]From the U.S. Government Printing Office via GPO Access[CITE: 24CFR92.1]

Fire Protection Fund – To account for funds received from the State Fire Allotment for operating and capital outlay for the fire department as specified in Section 59A-53-1 to 59A-53-17 NMSA 1978.

Recreation Fund (Section 7-12-15, NMSA, 1978 Comp) - To account for the operation and maintenance of all City owned recreation facilities. Financing is provided by a specific annual cigarette tax levy to the extent miscellaneous revenues (primary use fees) are not sufficient to provide such financing.

Lodgers’ Tax Fund (Section 3-38-13 to 3-38-24, NMSA, 1978 Comp) To account for the operations of promotional activity for the City of Carlsbad. Financing is provided primarily by a specific tax levy on area motels and hotels.

Airport Fund – To account for federal, state, and county grants used in operation and maintenance of the Municipal Airport.

Emergency Medical Services Fund (Section 24-10A-1 to 24-10A-9, NMSA, 1978 Comp) - To account for emergency medical equipment purchased for the fire department. Financing is provided through a state grant and matching City funds.

Local Government Correction Fund (Section 33-3-25 NMSA, 1978 Comp) – To account for special fees received on citations used to pay for prisoner’s board.

Special Police Program Fund - To account for grant proceeds for special police related programs, i.e., Teen Court, Juvenile Community Service Programs, and special DWI grants.

Law Enforcement Protection Fund (Section 29-13-9 NMSA, 1978 Comp) – To account for the state funds received for law enforcement training and equipment.

Retired Senior Volunteer Fund (PL 98-133) – To account for funds received from Retired Senior Volunteer Program funded under Domestic Volunteer Services Act.

Sports Complex – To account for the financing and construction of the sports complex for the City of Carlsbad.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR FUNDS
June 30, 2006

WIPP Acceleration Impact Fund (PL 95-91) – To account for Federal DOE funds used exclusively for infrastructure improvements, educational support and economic development due to the acceleration of the WIPP project.

Capital Projects Funds

Project Impact Fund – To account for federal grants used for equipment and capital improvements used in implementation of sustained pre-disaster mitigation program.

National Cave-Karst Institute - In Public Law 101-578, of November 15, 1990, Congress further directed that the Secretary of the Interior, acting through the Director of the National Park Service, establish and administer a Cave Research Program; and that the National Park Service prepare a proposal for Congress that examines the feasibility of a centralized National Cave and Karst Research Institute (NCKRI), associated with an existing Cave and Karst Research Program already established by the National Park Service, and that this study, prepared in cooperation with other Federal cave-managing agencies, cave-related organizations, cave experts, and interested individuals, develop specific concepts for the nature, scope, role, programs, management, and operational needs of such an Institute.

Park Improvement Fund - To account for state grants to build and improve parks within the City of Carlsbad.

Sewer System Improvement Fund – To account for the financing and acquisition of sewer system facilities for the City of Carlsbad.

Water System Improvement Fund – To account for the financing and acquisition of water system facilities for the City of Carlsbad.

Street Improvement Fund (City ordinance No. 389) - To account for funds received from motor vehicle fees, and state and county grants restricted for street improvement.

State Legislative Fund – To account for various state grants used for various capital improvement projects in the City of Carlsbad.

CIEP Fund – To account for the financing and acquisition of capital improvements and equipment purchases for the City of Carlsbad.

2002 Bond Acquisition Fund – To account for bond proceeds used for equipment and capital improvement projects in the City of Carlsbad.

Old Landfill Closure – To account for efficient tracking of closure costs and County contributions.

Sandpoint Landfill Fund – To account for the financing and cost of construction of the Sandpoint Landfill site east of Carlsbad, New Mexico.

Community Development Fund - To account for funds received for community development and improvements funded under New Mexico Community Development Block Grants pursuant to Title I HUD.

Federal Projects - To account for funds received for local bridge projects.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR FUNDS
June 30, 2006

Debt Service Funds

Sports Complex Debt Service Fund – To account for the NMFA Loan debt service for the construction of the Youth Sports Complex in Carlsbad, New Mexico.

2002 Sales Tax Revenue Improvement and Refunding Bonds – To accumulate monies for payment of the revenue bonds for the purpose of refunding 1994 sales tax revenue bonds and provide additional funds for capital improvements and equipment.

Enterprise Funds

Museum Gift Shop Fund – To account for the operation of the museum gift shop.

Municipal Transit Fund – To account for the transportation services (taxi service) provided by the City.

Performing Arts & Exhibition Centre (Section 3-38-13 to 3-38-24 NMSA, 1978 Comp) – To account for lodgers' tax and other revenues used for the promotion of the City of Carlsbad's Performing Arts & Exhibition Centre.

Cemetery Fund (City Ordinance) - To account for the operations and maintenance of the Municipal cemetery as specified in Ordinance No. 427, City of Carlsbad Code Sec. 7-19. Financing is provided through lot sales and fees for services.

Internal Service Funds

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

General Insurance Fund - To account 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.

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2006

SPECIAL REVENUE FUNDS

	E-911 Fund	Narcotics Forfeiture	Home Program	Fire Protection
<i>Assets</i>				
Cash and cash equivalents	\$ 5,703	\$ 60	\$ 424	\$ 5,055
Investments	-	-	-	30,000
Accounts receivable	-	-	-	-
Interfund receivable	-	-	-	-
	<u>5,703</u>	<u>60</u>	<u>424</u>	<u>35,055</u>
<i>Restricted assets</i>				
Debt service	-	-	-	1,686
Capital acquisitions	-	-	-	84,629
	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,315</u>
<i>Total restricted assets</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,315</u>
<i>Total assets</i>	<u>\$ 5,703</u>	<u>\$ 60</u>	<u>\$ 424</u>	<u>\$ 121,370</u>
 <i>Liabilities and Fund Balance</i>				
<i>Current liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-
Interfund payable	-	-	-	-
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total current liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance</i>				
Reserved for debt service	-	-	-	-
Reserved for capital acquisition	-	-	-	-
Unreserved:				
Undesignated				
Special revenue funds	5,703	60	424	121,370
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
	<u>5,703</u>	<u>60</u>	<u>424</u>	<u>121,370</u>
<i>Total fund balance</i>	<u>5,703</u>	<u>60</u>	<u>424</u>	<u>121,370</u>
<i>Total liabilities and fund balance</i>	<u>\$ 5,703</u>	<u>\$ 60</u>	<u>\$ 424</u>	<u>\$ 121,370</u>

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

SPECIAL REVENUE FUNDS

Recreation	Lodger's Tax	Airport	Emergency Medical Services	Local Government Corrections	Special Police Program
\$ 6,441	\$ 60,634	\$ 74,715	\$ -	\$ 7,563	\$ 8,331
-	30,000	-	-	-	-
-	59,067	-	-	-	-
-	-	-	-	-	-
<u>6,441</u>	<u>149,701</u>	<u>74,715</u>	<u>-</u>	<u>7,563</u>	<u>8,331</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 6,441</u>	<u>\$ 149,701</u>	<u>\$ 74,715</u>	<u>\$ -</u>	<u>\$ 7,563</u>	<u>\$ 8,331</u>
\$ -	\$ 27,000	\$ -	\$ -	\$ 22,440	\$ -
4,525	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>4,525</u>	<u>27,000</u>	<u>-</u>	<u>-</u>	<u>22,440</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
1,916	122,701	74,715	-	(14,877)	8,331
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,916</u>	<u>122,701</u>	<u>74,715</u>	<u>-</u>	<u>(14,877)</u>	<u>8,331</u>
<u>\$ 6,441</u>	<u>\$ 149,701</u>	<u>\$ 74,715</u>	<u>\$ -</u>	<u>\$ 7,563</u>	<u>\$ 8,331</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2006

SPECIAL REVENUE FUNDS

	Law Enforcement Protection	Retired Senior Volunteer Program	Sports Complex	WIPP Acceleration Impact
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 11,893	\$ -	\$ 1,084,692
Investments	-	-	-	-
Accounts receivable	-	-	-	-
Interfund receivable	-	-	-	36,975
<i>Total current assets</i>	<u>-</u>	<u>11,893</u>	<u>-</u>	<u>1,121,667</u>
<i>Restricted assets</i>				
Debt service	-	-	-	-
Capital acquisitions	-	-	1,950,729	-
<i>Total restricted assets</i>	<u>-</u>	<u>-</u>	<u>1,950,729</u>	<u>-</u>
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 11,893</u>	<u>\$ 1,950,729</u>	<u>\$ 1,121,667</u>
<i>Liabilities and Fund Balance</i>				
<i>Current liabilities</i>				
Accounts payable	\$ -	\$ -	\$ 67,048	\$ 253,191
Accrued expenses	-	930	-	-
Interfund payable	-	-	243,196	-
Deferred revenue	-	-	-	-
<i>Total current liabilities</i>	<u>-</u>	<u>930</u>	<u>310,244</u>	<u>253,191</u>
<i>Fund balance</i>				
Reserved for debt service	-	-	-	-
Reserved for capital acquisition	-	-	-	-
Unreserved:				
Undesignated				
Special revenue funds	-	10,963	1,640,485	868,476
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
<i>Total fund balance</i>	<u>-</u>	<u>10,963</u>	<u>1,640,485</u>	<u>868,476</u>
<i>Total liabilities and fund balance</i>	<u>\$ -</u>	<u>\$ 11,893</u>	<u>\$ 1,950,729</u>	<u>\$ 1,121,667</u>

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

CAPITAL PROJECTS FUNDS

<u>Project Impact</u>	<u>National Cave-Karst Institute</u>	<u>Park Improvement</u>	<u>Sewer System Improvement</u>	<u>Water System Improvement</u>	<u>Street System Improvement</u>
\$ 34,690	\$ 1,650,000	\$ 73,485	\$ 5,279	\$ -	\$ 47,162
-	-	-	-	-	-
-	-	5,807	-	-	46,835
-	-	-	-	-	-
<u>34,690</u>	<u>1,650,000</u>	<u>79,292</u>	<u>5,279</u>	<u>-</u>	<u>93,997</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 34,690</u>	<u>\$ 1,650,000</u>	<u>\$ 79,292</u>	<u>\$ 5,279</u>	<u>\$ -</u>	<u>\$ 93,997</u>
\$ -	\$ -	\$ -	\$ 150,891	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	101,360	-
-	1,650,000	-	-	-	-
-	1,650,000	-	150,891	101,360	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
34,690	-	79,292	(145,612)	(101,360)	93,997
-	-	-	-	-	-
<u>34,690</u>	<u>-</u>	<u>79,292</u>	<u>(145,612)</u>	<u>(101,360)</u>	<u>93,997</u>
<u>\$ 34,690</u>	<u>\$ 1,650,000</u>	<u>\$ 79,292</u>	<u>\$ 5,279</u>	<u>\$ -</u>	<u>\$ 93,997</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2006

CAPITAL PROJECTS FUNDS

	<u>State Legislative</u>	<u>CIEP</u>	<u>2002 Bond Acquisition</u>	<u>Old Landfill Closure</u>
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 239,208	\$ 301,117	\$ 66,145
Investments	-	-	-	-
Accounts receivable	-	-	-	-
Interfund receivable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total current assets</i>	<u>-</u>	<u>239,208</u>	<u>301,117</u>	<u>66,145</u>
<i>Restricted assets</i>				
Debt service	-	-	-	-
Capital acquisitions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total restricted assets</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 239,208</u>	<u>\$ 301,117</u>	<u>\$ 66,145</u>
<i>Liabilities and Fund Balance</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 100,064	\$ -	\$ 124,540	\$ -
Accrued expenses	-	-	-	-
Interfund payable	218,981	-	-	-
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total current liabilities</i>	<u>319,045</u>	<u>-</u>	<u>124,540</u>	<u>-</u>
<i>Fund balance</i>				
Reserved for debt service	-	-	-	-
Reserved for capital acquisition	-	-	-	-
Unreserved:				
Undesignated				
Special revenue funds	-	-	-	-
Capital projects funds	(319,045)	239,208	176,577	66,145
Debt service funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total fund balance</i>	<u>(319,045)</u>	<u>239,208</u>	<u>176,577</u>	<u>66,145</u>
<i>Total liabilities and fund balance</i>	<u>\$ -</u>	<u>\$ 239,208</u>	<u>\$ 301,117</u>	<u>\$ 66,145</u>

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

CAPITAL PROJECTS FUNDS			DEBT SERVICE FUNDS		
Sandpoint Landfill	Community Development	Federal Projects	Sports Complex Debt Service	2002 Sales Tax Bonds	Total
\$ 347	\$ -	\$ -	\$ 659,528	\$ 18,742	\$ 4,361,214
-	-	-	-	-	60,000
-	-	-	127,310	-	239,019
-	-	-	-	-	36,975
<u>347</u>	<u>-</u>	<u>-</u>	<u>786,838</u>	<u>18,742</u>	<u>4,697,208</u>
-	-	-	281,038	-	282,724
-	-	-	-	-	2,035,358
-	-	-	281,038	-	2,318,082
<u>\$ 347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,067,876</u>	<u>\$ 18,742</u>	<u>\$ 7,015,290</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 745,174
-	-	-	-	-	5,455
-	-	36,975	-	-	600,512
-	-	-	-	-	1,650,000
-	-	36,975	-	-	3,001,141
-	-	-	190,000	-	190,000
-	-	-	-	-	-
-	-	-	-	-	2,840,267
347	-	(36,975)	-	-	87,264
-	-	-	877,876	18,742	896,618
<u>347</u>	<u>-</u>	<u>(36,975)</u>	<u>1,067,876</u>	<u>18,742</u>	<u>4,014,149</u>
<u>\$ 347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,067,876</u>	<u>\$ 18,742</u>	<u>\$ 7,015,290</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2006

SPECIAL REVENUE FUNDS

	<u>E-911 Fund</u>	<u>Narcotics Forfeiture</u>	<u>Home Program</u>	<u>Fire Protection</u>
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Charges for services	-	-	-	-
State and county grants	-	-	-	223,545
Federal grants	49,945	-	4,506	-
Miscellaneous	-	-	-	-
Interest	2,093	-	-	7,031
<i>Total revenues</i>	<u>52,038</u>	<u>-</u>	<u>4,506</u>	<u>230,576</u>
<i>Expenditures:</i>				
Current:				
Public safety	49,425	1,961	-	170,214
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	922	-
Economic development	-	-	-	-
Capital outlay	135,000	-	4,096	1,064,717
Debt service:				
Principal	-	-	-	66,553
Interest	-	-	-	-
<i>Total expenditures</i>	<u>184,425</u>	<u>1,961</u>	<u>5,018</u>	<u>1,301,484</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(132,387)</u>	<u>(1,961)</u>	<u>(512)</u>	<u>(1,070,908)</u>
<i>Other financing sources (uses):</i>				
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	1,000,000
Transfers in	-	-	-	-
Transfers (out)	-	-	-	(11,000)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>989,000</u>
<i>Net change in fund balances</i>	(132,387)	(1,961)	(512)	(81,908)
<i>Fund balance - beginning of year</i>	<u>138,090</u>	<u>2,021</u>	<u>936</u>	<u>203,278</u>
<i>Fund balance - end of year</i>	<u>\$ 5,703</u>	<u>\$ 60</u>	<u>\$ 424</u>	<u>\$ 121,370</u>

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

SPECIAL REVENUE FUNDS

Recreation	Lodger's Tax	Airport	Emergency Medical Services	Local Government Corrections	Special Police Program
\$ 26,329	\$ -	\$ -	\$ -	\$ -	\$ -
-	504,320	-	-	-	-
13,187	-	12,853	-	181,759	-
-	-	3,014	20,000	-	7,390
-	-	114,535	-	-	36,916
233	548	-	-	-	24,204
-	1,109	-	-	-	-
<u>39,749</u>	<u>505,977</u>	<u>130,402</u>	<u>20,000</u>	<u>181,759</u>	<u>68,510</u>
-	-	-	11,024	286,158	47,054
-	-	3,400	-	-	-
181,902	376,193	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,938	-	120,288	8,976	-	21,863
-	-	-	-	-	-
-	-	-	-	-	-
<u>183,840</u>	<u>376,193</u>	<u>123,688</u>	<u>20,000</u>	<u>286,158</u>	<u>68,917</u>
<u>(144,091)</u>	<u>129,784</u>	<u>6,714</u>	<u>-</u>	<u>(104,399)</u>	<u>(407)</u>
-	-	-	-	-	-
-	-	-	-	-	-
139,448	-	-	-	78,000	1,933
(760)	(91,000)	-	-	-	-
<u>138,688</u>	<u>(91,000)</u>	<u>-</u>	<u>-</u>	<u>78,000</u>	<u>1,933</u>
(5,403)	38,784	6,714	-	(26,399)	1,526
<u>7,319</u>	<u>83,917</u>	<u>68,001</u>	<u>-</u>	<u>11,522</u>	<u>6,805</u>
<u>\$ 1,916</u>	<u>\$ 122,701</u>	<u>\$ 74,715</u>	<u>\$ -</u>	<u>\$ (14,877)</u>	<u>\$ 8,331</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2006

	SPECIAL REVENUE FUNDS			
	Law Enforcement Protection	Retired Senior Volunteer Program	Sports Complex	WIPP Acceleration Impact
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Charges for services	-	-	-	-
State and county grants	59,400	5,838	-	-
Federal grants	-	44,979	-	3,324,700
Miscellaneous	-	-	54,510	-
Interest	-	-	114,738	-
<i>Total revenues</i>	59,400	50,817	169,248	3,324,700
<i>Expenditures:</i>				
Current:				
Public safety	21,533	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	132,101	-
Public health and welfare	-	47,406	-	-
Economic development	-	-	-	1,468,300
Capital outlay	10,005	-	2,272,447	1,403,886
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	31,538	47,406	2,404,548	2,872,186
<i>Excess (deficiency) of revenues over expenditures</i>	27,862	3,411	(2,235,300)	452,514
<i>Other financing sources (uses):</i>				
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	150,000
Transfers (out)	(27,862)	-	-	-
<i>Total other financing sources (uses)</i>	(27,862)	-	-	150,000
<i>Net change in fund balances</i>	-	3,411	(2,235,300)	602,514
<i>Fund balance - beginning of year</i>	-	7,552	3,875,785	265,962
<i>Fund balance - end of year</i>	\$ -	\$ 10,963	\$ 1,640,485	\$ 868,476

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

CAPITAL PROJECTS FUNDS

<u>Project Impact</u>	<u>National Cave- Karst Institute</u>	<u>Park Improvement</u>	<u>Sewer System Improvement</u>	<u>Water System Improvement</u>	<u>Street System Improvement</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 472,456
-	-	-	-	-	-
-	-	5,550	-	-	-
-	-	13,776	-	-	-
-	-	-	-	298,117	-
-	-	1,000	-	-	2,049
-	-	534	-	534	534
-	-	20,860	-	298,651	475,039
-	-	-	-	-	-
-	-	-	66,599	53,074	509,852
-	-	21,499	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	291	533,987	116,218	342,629
-	-	-	-	-	-
-	-	-	-	-	-
-	-	21,790	600,586	169,292	852,481
-	-	(930)	(600,586)	129,359	(377,442)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	4,500	445,000	344,954	106,000
-	-	-	-	(671,706)	(162)
-	-	4,500	445,000	(326,752)	105,838
-	-	3,570	(155,586)	(197,393)	(271,604)
34,690	-	75,722	9,974	96,033	365,601
<u>\$ 34,690</u>	<u>\$ -</u>	<u>\$ 79,292</u>	<u>\$ (145,612)</u>	<u>\$ (101,360)</u>	<u>\$ 93,997</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2006

CAPITAL PROJECTS FUNDS

	State Legislative	CIEP	2002 Bond Acquisition	Old Landfill Closure
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Charges for services	-	-	-	-
State and county grants	773,117	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	550,000	-	-
Interest	-	-	27,375	-
<i>Total revenues</i>	<u>773,117</u>	<u>550,000</u>	<u>27,375</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Public safety	-	-	61,752	-
Public works	-	-	-	5,855
Culture and recreation	8,958	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	500,000	-	-
Capital outlay	686,001	86,995	2,540,162	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>694,959</u>	<u>586,995</u>	<u>2,601,914</u>	<u>5,855</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>78,158</u>	<u>(36,995)</u>	<u>(2,574,539)</u>	<u>(5,855)</u>
<i>Other financing sources (uses):</i>				
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	1,000,000	65,017
Transfers (out)	(311,050)	-	-	-
<i>Total other financing sources (uses)</i>	<u>(311,050)</u>	<u>-</u>	<u>1,000,000</u>	<u>65,017</u>
<i>Net change in fund balances</i>	(232,892)	(36,995)	(1,574,539)	59,162
<i>Fund balance - beginning of year</i>	<u>(86,153)</u>	<u>276,203</u>	<u>1,751,116</u>	<u>6,983</u>
<i>Fund balance - end of year</i>	<u>\$ (319,045)</u>	<u>\$ 239,208</u>	<u>\$ 176,577</u>	<u>\$ 66,145</u>

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

CAPITAL PROJECTS FUNDS			DEBT SERVICE FUNDS		
Sandpoint Landfill	Community Development	Federal Projects	Sports Complex Debt Service	2002 Sales Tax Bonds	Total
\$ -	\$ -	\$ -	\$ 728,926	\$ -	\$ 1,227,711
-	-	-	-	-	504,320
-	-	-	-	-	213,349
-	-	-	-	-	1,106,080
-	25,000	-	-	-	3,898,698
-	-	-	-	-	632,544
-	-	-	8,799	-	162,747
-	25,000	-	737,725	-	7,745,449
-	-	-	-	-	649,121
40,653	-	-	-	-	679,433
-	-	-	-	-	720,653
-	-	-	-	-	48,328
-	28,452	-	-	-	1,996,752
-	-	388,256	-	-	9,737,755
-	-	-	338,868	215,000	620,421
-	-	-	89,338	151,063	240,401
40,653	28,452	388,256	428,206	366,063	14,692,864
(40,653)	(3,452)	(388,256)	309,519	(366,063)	(6,947,415)
-	-	-	161	-	161
-	-	-	-	-	1,000,000
40,950	1,740	351,281	-	366,063	3,094,886
-	-	-	-	-	(1,113,540)
40,950	1,740	351,281	161	366,063	2,981,507
297	(1,712)	(36,975)	309,680	-	(3,965,908)
50	1,712	-	758,196	18,742	7,980,057
\$ 347	\$ -	\$ (36,975)	\$ 1,067,876	\$ 18,742	\$ 4,014,149

STATE OF NEW MEXICO
CITY OF CARLSBAD
E-911 FUND

Statement A-3

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	13,500	63,446	49,945	(13,501)
Miscellaneous	-	-	-	-
Interest	-	2,497	2,617	120
<i>Total revenues</i>	13,500	65,943	52,562	(13,381)
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	12,680	62,626	49,425	13,201
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	135,000	135,000	135,000	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	147,680	197,626	184,425	13,201
<i>Excess (deficiency) of revenues over expenditures</i>	(134,180)	(131,683)	(131,863)	(180)
<i>Other financing sources (uses):</i>				
Designated cash	134,180	131,683	-	(131,683)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	134,180	131,683	-	(131,683)
<i>Net change in fund balance</i>	-	-	(131,863)	(131,863)
<i>Fund balance - beginning of year</i>	-	-	137,566	137,566
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 5,703	\$ 5,703

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

STATE OF NEW MEXICO

Statement A-4

CITY OF CARLSBAD

NARCOTICS FORFEITURE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
 For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	1,961	1,961	1,961	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,961</u>	<u>1,961</u>	<u>1,961</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,961)</u>	<u>(1,961)</u>	<u>(1,961)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Designated cash	1,961	1,961	-	(1,961)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,961</u>	<u>1,961</u>	<u>-</u>	<u>(1,961)</u>
<i>Net change in fund balance</i>	-	-	(1,961)	(1,961)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>2,021</u>	<u>2,021</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 60</u>

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

STATE OF NEW MEXICO

Statement A-5

CITY OF CARLSBAD

HOME PROGRAM

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	237,459	237,459	4,506	(232,953)
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>237,459</u>	<u>237,459</u>	<u>4,506</u>	<u>(232,953)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	18,579	18,579	922	17,657
Economic development	-	-	-	-
Capital outlay	218,880	218,880	4,096	214,784
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>237,459</u>	<u>237,459</u>	<u>5,018</u>	<u>232,441</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(512)</u>	<u>(512)</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(512)	(512)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>936</u>	<u>936</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424</u>	<u>\$ 424</u>

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

STATE OF NEW MEXICO

Statement A-6

CITY OF CARLSBAD

FIRE PROTECTION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	223,545	223,545	223,545	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	7,069	7,069
<i>Total revenues</i>	<u>223,545</u>	<u>223,545</u>	<u>230,614</u>	<u>7,069</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	201,600	204,123	170,214	33,909
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	1,147,632	1,145,109	1,064,717	80,392
Debt service:				
Principal	66,553	66,553	66,553	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,415,785</u>	<u>1,415,785</u>	<u>1,301,484</u>	<u>114,301</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,192,240)</u>	<u>(1,192,240)</u>	<u>(1,070,870)</u>	<u>121,370</u>
<i>Other financing sources (uses):</i>				
Designated cash	203,240	203,240	-	(203,240)
Sale of assets	-	-	-	-
Loan proceeds	1,000,000	1,000,000	1,000,000	-
Transfers in (out)	(11,000)	(11,000)	(11,000)	-
<i>Total other financing sources (uses)</i>	<u>1,192,240</u>	<u>1,192,240</u>	<u>989,000</u>	<u>(203,240)</u>
<i>Net change in fund balance</i>	-	-	(81,870)	(81,870)
<i>Fund balance - beginning of year</i>	-	-	203,240	203,240
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,370</u>	<u>\$ 121,370</u>

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

STATE OF NEW MEXICO

Statement A-7

CITY OF CARLSBAD

RECREATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ 26,000	\$ 26,000	\$ 31,126	\$ 5,126
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	14,200	14,200	13,187	(1,013)
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	213	233	20
Interest	-	-	-	-
<i>Total revenues</i>	<u>40,200</u>	<u>40,413</u>	<u>44,546</u>	<u>4,133</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	177,900	183,000	180,836	2,164
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	6,000	2,000	1,938	62
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>183,900</u>	<u>185,000</u>	<u>182,774</u>	<u>2,226</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(143,700)</u>	<u>(144,587)</u>	<u>(138,228)</u>	<u>6,359</u>
<i>Other financing sources (uses):</i>				
Designated cash	5,981	5,768	-	(5,768)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	137,719	138,819	138,688	(131)
<i>Total other financing sources (uses)</i>	<u>143,700</u>	<u>144,587</u>	<u>138,688</u>	<u>(5,899)</u>
<i>Net change in fund balance</i>	-	-	460	460
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>5,981</u>	<u>5,981</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,441</u>	<u>\$ 6,441</u>

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

STATE OF NEW MEXICO

Statement A-8

CITY OF CARLSBAD

LODGER'S TAX

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	434,000	434,000	484,914	50,914
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	548	548
Interest	-	-	939	939
<i>Total revenues</i>	<u>434,000</u>	<u>434,000</u>	<u>486,401</u>	<u>52,401</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	361,412	387,912	376,193	11,719
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>361,412</u>	<u>387,912</u>	<u>376,193</u>	<u>11,719</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>72,588</u>	<u>46,088</u>	<u>110,208</u>	<u>64,120</u>
<i>Other financing sources (uses):</i>				
Designated cash	18,412	44,912	-	(44,912)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	(91,000)	(91,000)	(91,000)	-
<i>Total other financing sources (uses)</i>	<u>(72,588)</u>	<u>(46,088)</u>	<u>(91,000)</u>	<u>(44,912)</u>
<i>Net change in fund balance</i>	-	-	19,208	19,208
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>71,426</u>	<u>71,426</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,634</u>	<u>\$ 90,634</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
AIRPORT

Statement A-9

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	15,224	15,224	12,853	(2,371)
Fines and forfeits	-	-	-	-
State and county grants	3,213	3,213	3,014	(199)
Federal grants	122,108	122,108	114,535	(7,573)
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	140,545	140,545	130,402	(10,143)
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	22,277	22,277	3,400	18,877
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	121,257	121,257	120,288	969
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	143,534	143,534	123,688	19,846
<i>Excess (deficiency) of revenues over expenditures</i>	(2,989)	(2,989)	6,714	9,703
<i>Other financing sources (uses):</i>				
Designated cash	2,989	2,989	-	(2,989)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	2,989	2,989	-	(2,989)
<i>Net change in fund balance</i>	-	-	6,714	6,714
<i>Fund balance - beginning of year</i>	-	-	68,001	68,001
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 74,715	\$ 74,715

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

STATE OF NEW MEXICO

Statement A-10

CITY OF CARLSBAD

EMERGENCY MEDICAL SERVICES

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	20,000	20,000	20,000	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	11,000	11,024	11,024	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	9,000	8,976	8,976	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO

Statement A-11

CITY OF CARLSBAD

LOCAL GOVERNMENT CORRECTIONS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	155,000	155,000	181,759	26,759
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>155,000</u>	<u>155,000</u>	<u>181,759</u>	<u>26,759</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	320,000	320,000	263,718	56,282
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>320,000</u>	<u>320,000</u>	<u>263,718</u>	<u>56,282</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(165,000)</u>	<u>(165,000)</u>	<u>(81,959)</u>	<u>83,041</u>
<i>Other financing sources (uses):</i>				
Designated cash	11,522	11,522	-	(11,522)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	153,478	153,478	78,000	(75,478)
<i>Total other financing sources (uses)</i>	<u>165,000</u>	<u>165,000</u>	<u>78,000</u>	<u>(87,000)</u>
<i>Net change in fund balance</i>	-	-	(3,959)	(3,959)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>11,522</u>	<u>11,522</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,563</u>	<u>\$ 7,563</u>

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

STATE OF NEW MEXICO

Statement A-12

CITY OF CARLSBAD

SPECIAL POLICE PROGRAM

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	2,000	9,390	7,390	(2,000)
Federal grants	68,221	68,221	36,916	(31,305)
Miscellaneous	-	20,349	24,204	3,855
Interest	-	-	-	-
<i>Total revenues</i>	<u>70,221</u>	<u>97,960</u>	<u>68,510</u>	<u>(29,450)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	71,157	82,317	47,054	35,263
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	6,700	22,940	21,863	1,077
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>77,857</u>	<u>105,257</u>	<u>68,917</u>	<u>36,340</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(7,636)</u>	<u>(7,297)</u>	<u>(407)</u>	<u>6,890</u>
<i>Other financing sources (uses):</i>				
Designated cash	5,636	5,297	-	(5,297)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	2,000	2,000	1,933	(67)
<i>Total other financing sources (uses)</i>	<u>7,636</u>	<u>7,297</u>	<u>1,933</u>	<u>(5,364)</u>
<i>Net change in fund balance</i>	-	-	1,526	1,526
<i>Fund balance - beginning of year</i>	-	-	6,805	6,805
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,331</u>	<u>\$ 8,331</u>

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

STATE OF NEW MEXICO

Statement A-13

CITY OF CARLSBAD

LAW ENFORCEMENT PROTECTION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	59,400	59,400	59,400	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>59,400</u>	<u>59,400</u>	<u>59,400</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	26,360	21,532	21,532	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	5,178	10,006	10,006	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>31,538</u>	<u>31,538</u>	<u>31,538</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>27,862</u>	<u>27,862</u>	<u>27,862</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	(27,862)	(27,862)	(27,862)	-
<i>Total other financing sources (uses)</i>	<u>(27,862)</u>	<u>(27,862)</u>	<u>(27,862)</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO

Statement A-14

CITY OF CARLSBAD

RETIRED SENIOR VOLUNTEER PROGRAM

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	5,628	5,628	5,838	210
Federal grants	44,979	44,979	44,979	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>50,607</u>	<u>50,607</u>	<u>50,817</u>	<u>210</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	49,384	49,384	47,318	2,066
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>49,384</u>	<u>49,384</u>	<u>47,318</u>	<u>2,066</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,223</u>	<u>1,223</u>	<u>3,499</u>	<u>2,276</u>
<i>Other financing sources (uses):</i>				
Designated cash	(1,223)	(1,223)	-	1,223
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(1,223)</u>	<u>(1,223)</u>	<u>-</u>	<u>1,223</u>
<i>Net change in fund balance</i>	-	-	3,499	3,499
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>8,394</u>	<u>8,394</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,893</u>	<u>\$ 11,893</u>

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

STATE OF NEW MEXICO

Statement A-15

CITY OF CARLSBAD

SPORTS COMPLEX

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	50,000	54,510	4,510
Interest	-	-	114,738	114,738
<i>Total revenues</i>	<u>-</u>	<u>50,000</u>	<u>169,248</u>	<u>119,248</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	97,729	140,804	132,101	8,703
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	3,788,985	3,745,910	2,321,233	1,424,677
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>3,886,714</u>	<u>3,886,714</u>	<u>2,453,334</u>	<u>1,433,380</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(3,886,714)</u>	<u>(3,836,714)</u>	<u>(2,284,086)</u>	<u>1,552,628</u>
<i>Other financing sources (uses):</i>				
Designated cash	486,598	436,598	-	(436,598)
Sale of assets	-	-	-	-
Loan proceeds	3,400,116	3,400,116	-	(3,400,116)
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>3,886,714</u>	<u>3,836,714</u>	<u>-</u>	<u>(3,836,714)</u>
<i>Net change in fund balance</i>	-	-	(2,284,086)	(2,284,086)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>3,991,619</u>	<u>3,991,619</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,707,533</u>	<u>\$ 1,707,533</u>

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

STATE OF NEW MEXICO

Statement A-16

CITY OF CARLSBAD

WIPP ACCELERATION IMPACT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	3,661,000	7,093,000	3,324,700	(3,768,300)
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>3,661,000</u>	<u>7,093,000</u>	<u>3,324,700</u>	<u>(3,768,300)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	2,766,300	5,073,452	1,468,300	3,605,152
Capital outlay	1,251,458	2,566,306	1,281,491	1,284,815
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>4,017,758</u>	<u>7,639,758</u>	<u>2,749,791</u>	<u>4,889,967</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(356,758)</u>	<u>(546,758)</u>	<u>574,909</u>	<u>1,121,667</u>
<i>Other financing sources (uses):</i>				
Designated cash	356,758	396,758	-	(396,758)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	150,000	150,000	-
<i>Total other financing sources (uses)</i>	<u>356,758</u>	<u>546,758</u>	<u>150,000</u>	<u>(396,758)</u>
<i>Net change in fund balance</i>	-	-	724,909	724,909
<i>Fund balance - beginning of year</i>	-	-	396,758	396,758
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,121,667</u>	<u>\$ 1,121,667</u>

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

STATE OF NEW MEXICO

Statement A-17

CITY OF CARLSBAD

PROJECT IMPACT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	34,690	34,690	-	34,690
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>34,690</u>	<u>34,690</u>	<u>-</u>	<u>34,690</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(34,690)</u>	<u>(34,690)</u>	<u>-</u>	<u>34,690</u>
<i>Other financing sources (uses):</i>				
Designated cash	34,690	34,690	-	(34,690)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>34,690</u>	<u>34,690</u>	<u>-</u>	<u>(34,690)</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>34,690</u>	<u>34,690</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,690</u>	<u>\$ 34,690</u>

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

STATE OF NEW MEXICO

Statement A-18

CITY OF CARLSBAD

NATIONAL CAVE-KARST INSTITUTE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	306,900	306,900	-	(306,900)
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>306,900</u>	<u>306,900</u>	<u>-</u>	<u>(306,900)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	1,956,900	1,956,900	-	1,956,900
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,956,900</u>	<u>1,956,900</u>	<u>-</u>	<u>1,956,900</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,650,000)</u>	<u>(1,650,000)</u>	<u>-</u>	<u>1,650,000</u>
<i>Other financing sources (uses):</i>				
Designated cash	1,650,000	1,650,000	-	(1,650,000)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,650,000</u>	<u>1,650,000</u>	<u>-</u>	<u>(1,650,000)</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,650,000</u>	<u>1,650,000</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,650,000</u>	<u>\$ 1,650,000</u>

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

STATE OF NEW MEXICO

Statement A-19

CITY OF CARLSBAD

PARK IMPROVEMENT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	2,000	2,000	5,550	3,550
Fines and forfeits	-	-	-	-
State and county grants	21,000	21,000	7,969	(13,031)
Federal grants	-	-	-	-
Miscellaneous	-	1,000	1,000	-
Interest	-	-	534	534
<i>Total revenues</i>	<u>23,000</u>	<u>24,000</u>	<u>15,053</u>	<u>(8,947)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	21,000	25,500	21,499	4,001
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	6,000	7,000	291	6,709
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>27,000</u>	<u>32,500</u>	<u>21,790</u>	<u>10,710</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(4,000)</u>	<u>(8,500)</u>	<u>(6,737)</u>	<u>1,763</u>
<i>Other financing sources (uses):</i>				
Designated cash	4,000	4,000	-	(4,000)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	4,500	4,500	-
<i>Total other financing sources (uses)</i>	<u>4,000</u>	<u>8,500</u>	<u>4,500</u>	<u>(4,000)</u>
<i>Net change in fund balance</i>	-	-	(2,237)	(2,237)
<i>Fund balance - beginning of year</i>	-	-	75,722	75,722
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,485</u>	<u>\$ 73,485</u>

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

STATE OF NEW MEXICO

Statement A-20

CITY OF CARLSBAD

SEWER SYSTEM IMPROVEMENT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	92,000	170,191	66,599	103,592
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	658,650	658,650	383,095	275,555
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>750,650</u>	<u>828,841</u>	<u>449,694</u>	<u>379,147</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(750,650)</u>	<u>(828,841)</u>	<u>(449,694)</u>	<u>379,147</u>
<i>Other financing sources (uses):</i>				
Designated cash	9,973	9,973	-	(9,973)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	740,677	818,868	445,000	(373,868)
<i>Total other financing sources (uses)</i>	<u>750,650</u>	<u>828,841</u>	<u>445,000</u>	<u>(383,841)</u>
<i>Net change in fund balance</i>	-	-	(4,694)	(4,694)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>9,973</u>	<u>9,973</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,279</u>	<u>\$ 5,279</u>

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

STATE OF NEW MEXICO

Statement A-21

CITY OF CARLSBAD

WATER SYSTEM IMPROVEMENT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	657,350	657,350	298,117	(359,233)
Miscellaneous	-	-	-	-
Interest	-	-	534	534
<i>Total revenues</i>	<u>657,350</u>	<u>657,350</u>	<u>298,651</u>	<u>(358,699)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	179,437	179,437	53,074	126,363
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	983,855	983,955	852,879	131,076
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,163,292</u>	<u>1,163,392</u>	<u>905,953</u>	<u>257,439</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(505,942)</u>	<u>(506,042)</u>	<u>(607,302)</u>	<u>(101,260)</u>
<i>Other financing sources (uses):</i>				
Designated cash	160,988	160,988	-	(160,988)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	344,954	345,054	344,954	(100)
<i>Total other financing sources (uses)</i>	<u>505,942</u>	<u>506,042</u>	<u>344,954</u>	<u>(161,088)</u>
<i>Net change in fund balance</i>	-	-	(262,348)	(262,348)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>160,988</u>	<u>160,988</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (101,360)</u>	<u>\$ (101,360)</u>

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

STATE OF NEW MEXICO

Statement A-22

CITY OF CARLSBAD

STREET SYSTEM IMPROVEMENT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ 518,000	\$ 518,000	\$ 522,105	\$ 4,105
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	373,815	373,815	14,466	(359,349)
Federal grants	233,940	233,940	107,711	(126,229)
Miscellaneous	-	-	2,049	2,049
Interest	-	-	534	534
<i>Total revenues</i>	<u>1,125,755</u>	<u>1,125,755</u>	<u>646,865</u>	<u>(478,890)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	481,325	591,418	523,219	68,199
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	807,182	803,089	360,021	443,068
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,288,507</u>	<u>1,394,507</u>	<u>883,240</u>	<u>511,267</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(162,752)</u>	<u>(268,752)</u>	<u>(236,375)</u>	<u>32,377</u>
<i>Other financing sources (uses):</i>				
Designated cash	164,852	164,852	-	(164,852)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	(2,100)	103,900	105,838	1,938
<i>Total other financing sources (uses)</i>	<u>162,752</u>	<u>268,752</u>	<u>105,838</u>	<u>(162,914)</u>
<i>Net change in fund balance</i>	-	-	(130,537)	(130,537)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>177,699</u>	<u>177,699</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,162</u>	<u>\$ 47,162</u>

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

STATE OF NEW MEXICO

Statement A-23

CITY OF CARLSBAD

STATE LEGISLATIVE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
 For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	6,559,048	6,584,048	802,135	(5,781,913)
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>6,559,048</u>	<u>6,584,048</u>	<u>802,135</u>	<u>(5,781,913)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	10,785	10,785	-	10,785
Public works	-	-	-	-
Culture and recreation	70,108	72,568	8,958	63,610
Public health and welfare	61,961	61,961	-	61,961
Economic development	-	-	-	-
Capital outlay	6,337,043	6,359,583	933,009	5,426,574
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>6,479,897</u>	<u>6,504,897</u>	<u>941,967</u>	<u>5,562,930</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>79,151</u>	<u>79,151</u>	<u>(139,832)</u>	<u>(218,983)</u>
<i>Other financing sources (uses):</i>				
Designated cash	(79,151)	(79,151)	-	79,151
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(79,151)</u>	<u>(79,151)</u>	<u>-</u>	<u>79,151</u>
<i>Net change in fund balance</i>	-	-	(139,832)	(139,832)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(79,149)</u>	<u>(79,149)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (218,981)</u>	<u>\$ (218,981)</u>

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

STATE OF NEW MEXICO

Statement A-24

CITY OF CARLSBAD

CIEP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	700,000	550,000	(150,000)
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>700,000</u>	<u>550,000</u>	<u>(150,000)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	6,684	706,684	500,000	206,684
Capital outlay	263,665	314,665	121,995	192,670
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>270,349</u>	<u>1,021,349</u>	<u>621,995</u>	<u>399,354</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(270,349)</u>	<u>(321,349)</u>	<u>(71,995)</u>	<u>249,354</u>
<i>Other financing sources (uses):</i>				
Designated cash	270,349	271,349	-	(271,349)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	50,000	-	(50,000)
<i>Total other financing sources (uses)</i>	<u>270,349</u>	<u>321,349</u>	<u>-</u>	<u>(321,349)</u>
<i>Net change in fund balance</i>	-	-	(71,995)	(71,995)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>311,203</u>	<u>311,203</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,208</u>	<u>\$ 239,208</u>

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

STATE OF NEW MEXICO

Statement A-25

CITY OF CARLSBAD

2002 BOND ACQUISITION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	18,800	18,800	33,782	14,982
<i>Total revenues</i>	<u>18,800</u>	<u>18,800</u>	<u>33,782</u>	<u>14,982</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	73,274	86,496	61,752	24,744
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	2,714,305	2,701,083	2,439,692	261,391
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,787,579</u>	<u>2,787,579</u>	<u>2,501,444</u>	<u>286,135</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,768,779)</u>	<u>(2,768,779)</u>	<u>(2,467,662)</u>	<u>301,117</u>
<i>Other financing sources (uses):</i>				
Designated cash	1,768,779	1,768,779	-	(1,768,779)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	1,000,000	1,000,000	1,000,000	-
<i>Total other financing sources (uses)</i>	<u>2,768,779</u>	<u>2,768,779</u>	<u>1,000,000</u>	<u>(1,768,779)</u>
<i>Net change in fund balance</i>	-	-	(1,467,662)	(1,467,662)
<i>Fund balance - beginning of year</i>	-	-	1,768,779	1,768,779
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 301,117</u>	<u>\$ 301,117</u>

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

STATE OF NEW MEXICO

Statement A-26

CITY OF CARLSBAD

OLD LANDFILL CLOSURE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	22,000	22,000	5,855	16,145
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	50,000	50,000	-	50,000
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>72,000</u>	<u>72,000</u>	<u>5,855</u>	<u>66,145</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(72,000)</u>	<u>(72,000)</u>	<u>(5,855)</u>	<u>66,145</u>
<i>Other financing sources (uses):</i>				
Designated cash	6,983	6,983	-	(6,983)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	65,017	65,017	65,017	-
<i>Total other financing sources (uses)</i>	<u>72,000</u>	<u>72,000</u>	<u>65,017</u>	<u>(6,983)</u>
<i>Net change in fund balance</i>	-	-	59,162	59,162
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>6,983</u>	<u>6,983</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,145</u>	<u>\$ 66,145</u>

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

STATE OF NEW MEXICO

Statement A-27

CITY OF CARLSBAD

SANDPOINT LANDFILL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
 For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	25,000	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	50,000	40,653	40,652	1
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>50,000</u>	<u>40,653</u>	<u>40,652</u>	<u>1</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(25,000)</u>	<u>(40,653)</u>	<u>(40,652)</u>	<u>1</u>
<i>Other financing sources (uses):</i>				
Designated cash	50	(297)	-	297
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	24,950	40,950	40,949	(1)
<i>Total other financing sources (uses)</i>	<u>25,000</u>	<u>40,653</u>	<u>40,949</u>	<u>296</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>297</u>	<u>297</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 347</u>	<u>\$ 347</u>

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

STATE OF NEW MEXICO

Statement A-28

CITY OF CARLSBAD

COMMUNITY DEVELOPMENT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	32,814	32,814	32,814	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>32,814</u>	<u>32,814</u>	<u>32,814</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	37,610	37,610	36,462	1,148
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>37,610</u>	<u>37,610</u>	<u>36,462</u>	<u>1,148</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(4,796)</u>	<u>(4,796)</u>	<u>(3,648)</u>	<u>1,148</u>
<i>Other financing sources (uses):</i>				
Designated cash	1,908	(7,011)	-	7,011
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	2,888	11,807	1,740	(10,067)
<i>Total other financing sources (uses)</i>	<u>4,796</u>	<u>4,796</u>	<u>1,740</u>	<u>(3,056)</u>
<i>Net change in fund balance</i>	-	-	(1,908)	(1,908)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,908</u>	<u>1,908</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO

Statement A-29

CITY OF CARLSBAD

FEDERAL PROJECTS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
 For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	1,405,122	1,405,122	-	(1,405,122)
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>1,405,122</u>	<u>1,405,122</u>	<u>-</u>	<u>(1,405,122)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	1,756,403	1,756,403	388,256	1,368,147
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,756,403</u>	<u>1,756,403</u>	<u>388,256</u>	<u>1,368,147</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(351,281)</u>	<u>(351,281)</u>	<u>(388,256)</u>	<u>(36,975)</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	351,281	351,281	351,281	-
<i>Total other financing sources (uses)</i>	<u>351,281</u>	<u>351,281</u>	<u>351,281</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(36,975)	(36,975)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,975)</u>	<u>\$ (36,975)</u>

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

STATE OF NEW MEXICO

Statement A-30

CITY OF CARLSBAD

SPORTS COMPLEX DEBT SERVICE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ 678,797	\$ 678,797	\$ 716,417	\$ 37,620
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	8,799	8,799
<i>Total revenues</i>	<u>678,797</u>	<u>678,797</u>	<u>725,216</u>	<u>46,419</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	142,000	142,000	-	142,000
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	338,868	338,868	338,868	-
Interest	89,338	89,338	89,338	-
<i>Total expenditures</i>	<u>570,206</u>	<u>570,206</u>	<u>428,206</u>	<u>142,000</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>108,591</u>	<u>108,591</u>	<u>297,010</u>	<u>188,419</u>
<i>Other financing sources (uses):</i>				
Designated cash	(108,591)	(108,591)	-	108,591
Sale of assets	-	-	-	-
Loan proceeds	-	-	161	161
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(108,591)</u>	<u>(108,591)</u>	<u>161</u>	<u>108,752</u>
<i>Net change in fund balance</i>	-	-	297,171	297,171
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>643,395</u>	<u>643,395</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 940,566</u>	<u>\$ 940,566</u>

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

STATE OF NEW MEXICO

Statement A-31

CITY OF CARLSBAD

2002 SALES TAX BONDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	215,000	215,000	215,000	-
Interest	151,063	151,063	151,063	-
<i>Total expenditures</i>	<u>366,063</u>	<u>366,063</u>	<u>366,063</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(366,063)</u>	<u>(366,063)</u>	<u>(366,063)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	366,063	366,063	366,063	-
<i>Total other financing sources (uses)</i>	<u>366,063</u>	<u>366,063</u>	<u>366,063</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>18,742</u>	<u>18,742</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,742</u>	<u>\$ 18,742</u>

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

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STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2006

	Museum Gift Shop	Municipal Transit Fund	Performing Arts Centre	Cemetery
<i>Assets</i>				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 32,296	\$ 44,078	\$ 20,801	\$ 17,888
Investments	-	-	-	-
Accounts receivables	-	22,294	-	-
Interfund receivables	-	-	-	-
Inventory	-	-	-	-
	<u>32,296</u>	<u>66,372</u>	<u>20,801</u>	<u>17,888</u>
<i>Total current assets</i>				
<i>Noncurrent assets:</i>				
<i>Capital assets</i>				
Land, water rights and construction in progress	-	58,760	110,000	32,266
Other assets, net of accumulated depreciation	-	926,712	1,229,184	210,484
	<u>-</u>	<u>985,472</u>	<u>1,339,184</u>	<u>242,750</u>
<i>Total capital assets</i>				
<i>Other assets</i>				
Unamortized bond discount	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total noncurrent assets</i>				
	<u>-</u>	<u>985,472</u>	<u>1,339,184</u>	<u>242,750</u>
<i>Total assets</i>	<u>\$ 32,296</u>	<u>\$ 1,051,844</u>	<u>\$ 1,359,985</u>	<u>\$ 260,638</u>

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

	<u>Total</u>
\$	115,063
	-
	22,294
	-
	-
	<u>137,357</u>
	201,026
	<u>2,366,380</u>
	<u>2,567,406</u>
	-
	<u>2,567,406</u>
\$	<u><u>2,704,763</u></u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2006

	Museum Gift Shop	Municipal Transit Fund	Performing Arts Centre	Cemetery
<i>Liabilities and Net Assets</i>				
<i>Current liabilities</i>				
Accounts payable	\$ -	\$ 5,410	\$ -	\$ -
Accrued expenses	-	12,125	3,675	-
Interfund payable	-	-	-	-
Deferred revenue	-	-	-	-
Compensated absences - current portion	-	-	-	-
Bond payable - current portion	-	-	-	-
Note payable - current portion	-	-	-	-
	-	-	-	-
<i>Total current liabilities</i>	-	17,535	3,675	-
<i>Noncurrent liabilities</i>				
Bonds payable - net of current portion	-	-	-	-
Note payable - net of current portion	-	-	-	-
Compensated absences	-	6,431	-	-
Estimated liability - landfill closure and post closure care	-	-	-	-
	-	-	-	-
<i>Total noncurrent liabilities</i>	-	6,431	-	-
<i>Net Assets</i>				
Invested in capital assets, net of related debt	-	985,472	1,339,184	242,750
Unrestricted	32,296	42,406	17,126	17,888
	32,296	42,406	17,126	17,888
<i>Total net assets</i>	32,296	1,027,878	1,356,310	260,638
<i>Total liabilities and net assets</i>	\$ 32,296	\$ 1,051,844	\$ 1,359,985	\$ 260,638

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

	<u>Total</u>
\$	5,410
	15,800
	-
	-
	-
	-
	-
	<u>21,210</u>
	-
	-
	6,431
	-
	<u>6,431</u>
	2,567,406
	<u>109,716</u>
	<u>2,677,122</u>
\$	<u><u>2,704,763</u></u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2006

	<u>Museum Gift Shop</u>	<u>Municipal Transit Fund</u>	<u>Performing Arts Centre</u>	<u>Cemetery</u>
<i>Operating revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	11,108	43,896	19,962	152,214
State and county grants	-	-	-	-
Federal grants	-	364,026	-	-
Miscellaneous	1,470	4,550	-	-
<i>Total operating revenues</i>	<u>12,578</u>	<u>412,472</u>	<u>19,962</u>	<u>152,214</u>
<i>Operating expenses:</i>				
Current:				
Personnel services	-	331,476	81,607	-
Power and fuel	-	-	-	-
General insurance	-	-	-	-
Workers' compensation and health benefits	-	-	-	-
Other operating expenses	8,602	151,077	104,622	245,923
<i>Total operating expenses</i>	<u>8,602</u>	<u>482,553</u>	<u>186,229</u>	<u>245,923</u>
<i>Operating income (loss)</i>	<u>3,976</u>	<u>(70,081)</u>	<u>(166,267)</u>	<u>(93,709)</u>
<i>Nonoperating revenues (expenses):</i>				
Sale of assets	-	-	-	-
Interest income	-	-	-	-
Interest expense	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Income before transfers</i>	<u>3,976</u>	<u>(70,081)</u>	<u>(166,267)</u>	<u>(93,709)</u>
Transfers in	-	233,678	352,164	117,776
Transfers (out)	-	(18,915)	(758)	-
<i>Total transfers</i>	<u>-</u>	<u>214,763</u>	<u>351,406</u>	<u>117,776</u>
<i>Change in net assets</i>	3,976	144,682	185,139	24,067
<i>Net assets - beginning of year</i>	<u>28,320</u>	<u>883,196</u>	<u>1,171,171</u>	<u>236,571</u>
<i>Net assets - end of year</i>	<u>\$ 32,296</u>	<u>\$ 1,027,878</u>	<u>\$ 1,356,310</u>	<u>\$ 260,638</u>

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

	<u>Total</u>
\$	-
	227,180
	-
	364,026
	6,020
	<u>597,226</u>
	413,083
	-
	-
	-
	-
	510,224
	<u>923,307</u>
	<u>(326,081)</u>
	-
	-
	-
	<u>-</u>
	<u>(326,081)</u>
	703,618
	(19,673)
	<u>683,945</u>
	357,864
	<u>2,319,258</u>
\$	<u><u>2,677,122</u></u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2006

	Museum Gift Shop	Municipal Transit	Performing Arts Centre
Cash flows from operating activities			
Receipts from customers and users	\$ 12,578	\$ 48,446	\$ 19,962
Operating grant	-	341,732	-
Payments to suppliers	(8,602)	(106,555)	(56,154)
Payments to employees	-	(318,234)	(81,607)
	<u>3,976</u>	<u>(34,611)</u>	<u>(117,799)</u>
Net cash provided (used) by operating activities			
Cash flows from noncapital financing activities:			
Taxes	-	-	-
Customer deposits, net	-	-	-
Operating transfers in (out)	-	214,763	351,406
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>214,763</u>	<u>351,406</u>
Cash flows from capital and related financing activities:			
Acquisitions and construction of capital assets	-	(162,547)	(218,124)
Principal paid on capital debt	-	-	-
Interest paid on capital debt	-	-	-
Loan proceeds	-	-	-
Proceeds from sale of fixed assets	-	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(162,547)</u>	<u>(218,124)</u>
Cash flows from investing activities:			
Interest income	-	-	-
Acquisition of new note receivable	-	-	-
Payments received on notes receivable	-	-	-
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and temporary investments	<u>\$ 3,976</u>	<u>\$ 17,605</u>	<u>\$ 15,483</u>

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

<u>Cemetery</u>	<u>Total</u>
\$ 152,214	\$ 233,200
-	341,732
(236,238)	(407,549)
-	(399,841)
<u>(84,024)</u>	<u>(232,458)</u>
-	-
-	-
<u>117,776</u>	<u>683,945</u>
-	-
<u>117,776</u>	<u>683,945</u>
-	-
-	-
-	-
<u>(27,776)</u>	<u>(408,447)</u>
-	-
-	-
-	-
-	-
<u>(27,776)</u>	<u>(408,447)</u>
-	-
-	-
-	-
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>
\$ <u>5,976</u>	\$ <u>43,040</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2006

	<u>Museum Gift Shop</u>	<u>Municipal Transit</u>	<u>Performing Arts Centre</u>
Net increase (decrease) in cash and temporary investments from previous page	\$ 3,976	\$ 17,605	\$ 15,483
Cash and temporary investments-beginning of year	<u>28,320</u>	<u>26,473</u>	<u>5,318</u>
Cash and temporary investments-end of year	<u>\$ 32,296</u>	<u>\$ 44,078</u>	<u>\$ 20,801</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 3,976	\$ (70,081)	\$ (166,267)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	-	54,203	46,670
(Increase) decrease in:			
Accounts receivable	-	(22,294)	-
Inventories	-	-	-
(Decrease) increase in:			
Accounts payable	-	(3,250)	1,798
Accrued expenses	-	6,811	-
Deferred revenue	-	-	-
Estimated landfill postclosure liabilities	-	-	-
Refundable customer deposits	-	-	-
Net cash provided (used) by operating activities	<u>\$ 3,976</u>	<u>\$ (34,611)</u>	<u>\$ (117,799)</u>
Cash and temporary investments:			
Cash and cash equivalents	\$ 32,296	\$ 44,078	\$ 20,801
Investments	-	-	-
Restricted assets - debt service	-	-	-
Total cash and temporary investments	<u>\$ 32,296</u>	<u>\$ 44,078</u>	<u>\$ 20,801</u>

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

<u>Cemetery</u>	<u>Total</u>
\$ 5,976	\$ 43,040
<u>11,912</u>	<u>72,023</u>
<u>\$ 17,888</u>	<u>\$ 115,063</u>

\$ (93,709) \$ (326,081)

9,685	110,558
-	-
-	(22,294)
-	-
-	-
-	(1,452)
-	6,811
-	-
-	-
-	-
<u>-</u>	<u>-</u>
<u>\$ (84,024)</u>	<u>\$ (232,458)</u>

\$ 17,888	\$ 115,063
-	-
<u>-</u>	<u>-</u>
<u>\$ 17,888</u>	<u>\$ 115,063</u>

STATE OF NEW MEXICO

Statement B-4

CITY OF CARLSBAD

SOLID WASTE DISPOSAL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET ASSETS - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ 494,690	\$ 494,690	\$ 494,557	\$ (133)
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	3,221,000	3,221,000	3,217,004	(3,996)
Fines and forfeits	-	-	-	-
State and county grants	461,000	461,000	468,409	7,409
Federal grants	-	-	-	-
Miscellaneous	-	-	221	221
Interest	9,000	9,000	39,255	30,255
<i>Total revenues</i>	<u>4,185,690</u>	<u>4,185,690</u>	<u>4,219,446</u>	<u>33,756</u>
<i>Expenditures:</i>				
Current:				
Personnel services	1,315,000	1,281,500	1,180,373	101,127
Power and fuel	4,500	3,200	2,444	756
General insurance	-	-	-	-
Workers' compensation and health benefits	-	-	-	-
Other operating expenses	1,311,806	1,360,106	1,294,191	65,915
Capital outlay	25,000	25,000	24,923	77
Debt service:				
Principal	179,643	179,643	179,642	1
Interest	24,525	24,525	24,525	-
<i>Total expenditures</i>	<u>2,860,474</u>	<u>2,873,974</u>	<u>2,706,098</u>	<u>167,876</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,325,216</u>	<u>1,311,716</u>	<u>1,513,348</u>	<u>201,632</u>
<i>Other financing sources (uses):</i>				
Designated cash	(59,590)	(7,590)	-	7,590
Sale of assets	-	-	3,430	3,430
Loan proceeds	-	-	-	-
Transfers in (out)	(1,265,626)	(1,304,126)	(1,304,236)	(110)
<i>Total other financing sources (uses)</i>	<u>(1,325,216)</u>	<u>(1,311,716)</u>	<u>(1,300,806)</u>	<u>10,910</u>
<i>Change in net assets</i>	<u>-</u>	<u>-</u>	<u>212,542</u>	<u>212,542</u>
<i>Net assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,288,482</u>	<u>1,288,482</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,501,024</u>	<u>\$ 1,501,024</u>

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

STATE OF NEW MEXICO

Statement B-5

CITY OF CARLSBAD

JOINT WATER AND SEWER

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET ASSETS - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	7,636,610	7,636,610	7,116,816	(519,794)
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	20,000	20,000	508	(19,492)
Interest	336,800	336,800	481,172	144,372
<i>Total revenues</i>	<u>7,993,410</u>	<u>7,993,410</u>	<u>7,598,496</u>	<u>(394,914)</u>
<i>Expenditures:</i>				
Current:				
Personnel services	2,385,600	2,448,200	2,356,158	92,042
Power and fuel	-	-	-	-
General insurance	-	-	-	-
Workers' compensation and health benefits	-	-	-	-
Other operating expenses	2,490,790	2,885,890	2,100,778	785,112
Capital outlay	4,540,502	4,552,202	2,042,794	2,509,408
Debt service:				
Principal	870,000	870,000	870,000	-
Interest	753,803	753,803	753,803	-
<i>Total expenditures</i>	<u>11,040,695</u>	<u>11,510,095</u>	<u>8,123,533</u>	<u>3,386,562</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(3,047,285)</u>	<u>(3,516,685)</u>	<u>(525,037)</u>	<u>2,991,648</u>
<i>Other financing sources (uses):</i>				
Designated cash	5,907,563	6,466,654	-	(6,466,654)
Sale of assets	10,000	10,000	1,423	(8,577)
Loan proceeds	-	-	-	-
Transfers in (out)	(2,870,278)	(2,959,969)	(2,035,663)	924,306
<i>Total other financing sources (uses)</i>	<u>3,047,285</u>	<u>3,516,685</u>	<u>(2,034,240)</u>	<u>(5,550,925)</u>
<i>Change in net assets</i>	-	-	(2,559,277)	(2,559,277)
<i>Net assets - beginning of year</i>	-	-	16,016,429	16,016,429
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,457,152</u>	<u>\$ 13,457,152</u>

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

STATE OF NEW MEXICO

Statement B-6

CITY OF CARLSBAD

MUSEUM GIFT SHOP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET ASSETS - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	12,000	12,000	11,108	(892)
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	750	750	1,470	720
Interest	-	-	-	-
<i>Total revenues</i>	<u>12,750</u>	<u>12,750</u>	<u>12,578</u>	<u>(172)</u>
<i>Expenditures:</i>				
Current:				
Personnel services	-	-	-	-
Power and fuel	-	-	-	-
General insurance	-	-	-	-
Workers' compensation and health benefits	-	-	-	-
Other operating expenses	15,200	15,200	8,602	6,598
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>15,200</u>	<u>15,200</u>	<u>8,602</u>	<u>6,598</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,450)</u>	<u>(2,450)</u>	<u>3,976</u>	<u>6,426</u>
<i>Other financing sources (uses):</i>				
Designated cash	2,450	2,450	-	(2,450)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>2,450</u>	<u>2,450</u>	<u>-</u>	<u>(2,450)</u>
<i>Change in net assets</i>	-	-	3,976	3,976
<i>Net assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>28,320</u>	<u>28,320</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,296</u>	<u>\$ 32,296</u>

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

STATE OF NEW MEXICO

Statement B-7

CITY OF CARLSBAD

MUNICIPAL TRANSIT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET ASSETS - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	35,000	35,000	43,896	8,896
Fines and forfeits	-	-	-	-
State and county grants	93,028	93,028	-	(93,028)
Federal grants	289,695	289,695	341,732	52,037
Miscellaneous	-	1,908	1,908	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>417,723</u>	<u>419,631</u>	<u>387,536</u>	<u>(32,095)</u>
<i>Expenditures:</i>				
Current:				
Personnel services	362,300	338,500	326,894	11,606
Power and fuel	-	-	-	-
General insurance	-	-	-	-
Workers' compensation and health benefits	-	-	-	-
Other operating expenses	93,232	116,542	91,464	25,078
Capital outlay	126,735	128,425	58,734	69,691
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>582,267</u>	<u>583,467</u>	<u>477,092</u>	<u>106,375</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(164,544)</u>	<u>(163,836)</u>	<u>(89,556)</u>	<u>74,280</u>
<i>Other financing sources (uses):</i>				
Designated cash	26,473	24,565	-	(24,565)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	138,071	139,271	107,161	(32,110)
<i>Total other financing sources (uses)</i>	<u>164,544</u>	<u>163,836</u>	<u>107,161</u>	<u>(56,675)</u>
<i>Change in net assets</i>	-	-	17,605	17,605
<i>Net assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>26,473</u>	<u>26,473</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,078</u>	<u>\$ 44,078</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
PERFORMING ARTS CENTRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET ASSETS - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

Statement B-8

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	25,000	15,725	19,962	4,237
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>25,000</u>	<u>15,725</u>	<u>19,962</u>	<u>4,237</u>
<i>Expenditures:</i>				
Current:				
Personnel services	84,100	84,100	79,809	4,291
Power and fuel	-	-	-	-
General insurance	-	-	-	-
Workers' compensation and health benefits	-	-	-	-
Other operating expenses	59,500	67,500	57,952	9,548
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>143,600</u>	<u>151,600</u>	<u>137,761</u>	<u>13,839</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(118,600)</u>	<u>(135,875)</u>	<u>(117,799)</u>	<u>18,076</u>
<i>Other financing sources (uses):</i>				
Designated cash	5,318	2,593	-	(2,593)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	113,282	133,282	133,282	-
<i>Total other financing sources (uses)</i>	<u>118,600</u>	<u>135,875</u>	<u>133,282</u>	<u>(2,593)</u>
<i>Change in net assets</i>	-	-	15,483	15,483
<i>Net assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>5,318</u>	<u>5,318</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,801</u>	<u>\$ 20,801</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
CEMETERY

Statement B-9

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET ASSETS - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL**
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	155,000	155,000	152,214	(2,786)
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	155,000	155,000	152,214	(2,786)
<i>Expenditures:</i>				
Current:				
Personnel services	-	-	-	-
Power and fuel	-	-	-	-
General insurance	-	-	-	-
Workers' compensation and health benefits	-	-	-	-
Other operating expenses	250,000	250,000	236,238	13,762
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	250,000	250,000	236,238	13,762
<i>Excess (deficiency) of revenues over expenditures</i>	(95,000)	(95,000)	(84,024)	10,976
<i>Other financing sources (uses):</i>				
Designated cash	5,000	5,000	-	(5,000)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	90,000	90,000	90,000	-
<i>Total other financing sources (uses)</i>	95,000	95,000	90,000	(5,000)
<i>Change in net assets</i>	-	-	5,976	5,976
<i>Net assets - beginning of year</i>	-	-	11,912	11,912
<i>Net assets - end of year</i>	\$ -	\$ -	\$ 17,888	\$ 17,888

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2006

Statement C-1

	Computer Lease Equipment	General Insurance	Group Health Insurance	Total
<i>Assets</i>				
<i>Current assets</i>				
Cash and cash equivalents	\$ 291	\$ 272,323	\$ 243,982	\$ 516,596
Accounts receivable	-	5,570	34,394	39,964
Interfund receivable	-	-	-	-
	291	277,893	278,376	556,560
<i>Noncurrent assets</i>				
Restricted assets - other purposes	-	500,000	700,000	1,200,000
	-	500,000	700,000	1,200,000
<i>Total liabilities and net assets</i>	\$ 291	\$ 777,893	\$ 978,376	\$ 1,756,560
<i>Liabilities and Net Assets</i>				
<i>Current liabilities</i>				
Accounts payable	-	33,300	-	33,300
Interfund payable	\$ -	\$ -	\$ -	\$ -
	-	33,300	-	33,300
<i>Net Assets</i>				
Restricted for computer lease	291	-	-	291
Restricted for insurance claims	-	744,593	978,376	1,722,969
	291	744,593	978,376	1,723,260
<i>Total liabilities and net assets</i>	\$ 291	\$ 777,893	\$ 978,376	\$ 1,756,560

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

STATE OF NEW MEXICO

Statement C-2

CITY OF CARLSBAD

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

For the Year Ended June 30, 2006

	Computer Lease Equipment	General Insurance	Group Health Insurance	Total
<i>Operating revenues:</i>				
Miscellaneous	\$ -	\$ 157,360	\$ 3,220,598	\$ 3,377,958
<i>Total operating revenues</i>	<u>-</u>	<u>157,360</u>	<u>3,220,598</u>	<u>3,377,958</u>
<i>Operating expenses:</i>				
Current:				
General insurance	-	703,146	-	703,146
Workers' compensation and health benefits	-	518,698	3,352,981	3,871,679
Other operating expenses	136,440	-	-	136,440
<i>Total operating expenses</i>	<u>136,440</u>	<u>1,221,844</u>	<u>3,352,981</u>	<u>4,711,265</u>
<i>Operating income (loss)</i>	<u>(136,440)</u>	<u>(1,064,484)</u>	<u>(132,383)</u>	<u>(1,333,307)</u>
<i>Nonoperating revenues (expenses):</i>				
Interest income	-	14,012	25,604	39,616
<i>Total nonoperating revenues (expenses)</i>	<u>-</u>	<u>14,012</u>	<u>25,604</u>	<u>39,616</u>
<i>Income before transfers</i>	<u>(136,440)</u>	<u>(1,050,472)</u>	<u>(106,779)</u>	<u>(1,293,691)</u>
Transfers in	130,071	1,309,000	-	1,439,071
Transfers (out)	-	-	(172,425)	(172,425)
<i>Total transfers</i>	<u>130,071</u>	<u>1,309,000</u>	<u>(172,425)</u>	<u>1,266,646</u>
<i>Change in net assets</i>	(6,369)	258,528	(279,204)	(27,045)
<i>Net assets - beginning of year</i>	<u>6,660</u>	<u>486,065</u>	<u>1,257,580</u>	<u>1,750,305</u>
<i>Net assets - end of year</i>	<u>\$ 291</u>	<u>\$ 744,593</u>	<u>\$ 978,376</u>	<u>\$ 1,723,260</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2006

	<u>Computer Lease Equipment</u>	<u>General Insurance</u>	<u>Group Health Insurance</u>
Cash flows from operating activities:			
Receipts from interfund services provided	\$ -	\$ 157,360	\$ 3,220,598
Cash paid for interfund services used	<u>(136,440)</u>	<u>(1,188,544)</u>	<u>(3,352,981)</u>
Net cash provided (used) by operating activities	<u>(136,440)</u>	<u>(1,031,184)</u>	<u>(132,383)</u>
Cash flows from noncapital financing activities:			
Receipts (payments) on interfund balances	-	(18,346)	18,346
Operating transfers in (out)	<u>130,071</u>	<u>1,309,000</u>	<u>(172,425)</u>
Net cash provided (used) by noncapital financing activities	<u>130,071</u>	<u>1,290,654</u>	<u>(154,079)</u>
Cash flows from investing activities:			
Interest income	-	<u>12,853</u>	<u>10,837</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>12,853</u>	<u>10,837</u>
Net increase (decrease) in cash and temporary investments	(6,369)	272,323	(275,625)
Cash and temporary investments, beginning of year	<u>6,660</u>	<u>500,000</u>	<u>1,219,607</u>
Cash and temporary investments, end of year	<u>\$ 291</u>	<u>\$ 772,323</u>	<u>\$ 943,982</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (136,440)	\$ (1,064,484)	\$ (132,383)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Accounts payable	<u>-</u>	<u>33,300</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (136,440)</u>	<u>\$ (1,031,184)</u>	<u>\$ (132,383)</u>
Cash and temporary investments:			
Cash and cash equivalents	\$ 291	\$ 272,323	\$ 243,982
Restricted assets - other purposes	<u>-</u>	<u>500,000</u>	<u>700,000</u>
Total cash and temporary investments	<u>\$ 291</u>	<u>\$ 772,323</u>	<u>\$ 943,982</u>

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

	<u>Total</u>
\$	3,377,958
	<u>(4,677,965)</u>
	<u>(1,300,007)</u>
	-
	<u>1,266,646</u>
	-
	<u>1,266,646</u>
	<u>23,690</u>
	<u>23,690</u>
	(9,671)
	<u>1,726,267</u>
\$	<u><u>1,716,596</u></u>
\$	(1,333,307)
	<u>33,300</u>
\$	<u><u>(1,300,007)</u></u>
\$	516,596
	<u>1,200,000</u>
\$	<u><u>1,716,596</u></u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMPUTER LEASE EQUIPMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET ASSETS - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

Statement C-4

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
Current:				
Personnel services	-	-	-	-
Power and fuel	-	-	-	-
General insurance	-	-	-	-
Workers' compensation and health benefits	-	-	-	-
Other operating expenses	128,571	136,642	136,440	202
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	128,571	136,642	136,440	202
<i>Excess (deficiency) of revenues over expenditures</i>	(128,571)	(136,642)	(136,440)	202
<i>Other financing sources (uses):</i>				
Designated cash	-	6,571	-	(6,571)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	128,571	130,071	130,071	-
<i>Total other financing sources (uses)</i>	128,571	136,642	130,071	(6,571)
<i>Change in net assets</i>	-	-	(6,369)	(6,369)
<i>Net Assets - beginning of year</i>	-	-	6,660	6,660
<i>Net Assets - end of year</i>	\$ -	\$ -	\$ 291	\$ 291

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

STATE OF NEW MEXICO

Statement C-5

CITY OF CARLSBAD

GENERAL INSURANCE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET ASSETS - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	5,260	157,360	152,100
Interest	6,000	6,000	12,853	6,853
<i>Total revenues</i>	<u>6,000</u>	<u>11,260</u>	<u>170,213</u>	<u>158,953</u>
<i>Expenditures:</i>				
Current:				
Personnel services	-	-	-	-
Power and fuel	-	-	-	-
General insurance	613,076	729,876	703,146	26,730
Workers' compensation and health benefits	448,000	498,766	485,398	13,368
Other operating expenses	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,061,076</u>	<u>1,228,642</u>	<u>1,188,544</u>	<u>40,098</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,055,076)</u>	<u>(1,217,382)</u>	<u>(1,018,331)</u>	<u>199,051</u>
<i>Other financing sources (uses):</i>				
Designated cash	(145,924)	(91,618)	-	91,618
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	1,201,000	1,309,000	1,309,000	-
<i>Total other financing sources (uses)</i>	<u>1,055,076</u>	<u>1,217,382</u>	<u>1,309,000</u>	<u>91,618</u>
<i>Change in net assets</i>	-	-	290,669	290,669
<i>Net Assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>481,654</u>	<u>481,654</u>
<i>Net Assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 772,323</u>	<u>\$ 772,323</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
GROUP HEALTH INSURANCE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET ASSETS - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2006

Statement C-6

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
State and county grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	3,011,393	3,202,710	3,200,641	(2,069)
Interest	21,300	21,300	22,735	1,435
<i>Total revenues</i>	<u>3,032,693</u>	<u>3,224,010</u>	<u>3,223,376</u>	<u>(634)</u>
<i>Expenditures:</i>				
Current:				
Personnel services	-	-	-	-
Power and fuel	-	-	-	-
General insurance	-	-	-	-
Workers' compensation and health benefits	3,013,393	3,426,393	3,344,922	81,471
Other operating expenses	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>3,013,393</u>	<u>3,426,393</u>	<u>3,344,922</u>	<u>81,471</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>19,300</u>	<u>(202,383)</u>	<u>(121,546)</u>	<u>80,837</u>
<i>Other financing sources (uses):</i>				
Designated cash	(19,300)	379,288	-	(379,288)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	(176,905)	(172,425)	4,480
<i>Total other financing sources (uses)</i>	<u>(19,300)</u>	<u>202,383</u>	<u>(172,425)</u>	<u>(374,808)</u>
<i>Change in net assets</i>	-	-	(293,971)	(293,971)
<i>Net Assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,237,953</u>	<u>1,237,953</u>
<i>Net Assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 943,982</u>	<u>\$ 943,982</u>

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

SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
June 30, 2006

Depository	CUSIP #	Description of Pledged Collateral	Fair Market Value June 30, 2006	Name and Location of Safekeeper
Carlsbad National Bank	3133M4Q71	FHLB Due 06/18/2008	\$ 1,036,153	FHLB Dallas, Texas
	3133X7C51	FHLB Due 05/15/2007	1,001,375	FHLB Dallas, Texas
	3133M2JB4	FHLB Due 12/03/2007	1,037,708	FHLB Dallas, Texas
	31331RDV4	FHLB Due 07/16/2007	1,037,420	FHLB Dallas, Texas
	3133954T9	FHLB Due 12/04/2006	997,993	FHLB Dallas, Texas
	3133X2B46	FHLB Due 11/15/2006	1,000,630	FHLB Dallas, Texas
			<u>6,111,279</u>	
Pioneer Savings Bank	80477	GNMA Due 12/20/2030	68,893	FHLB Dallas, Texas
	80790	GNMA II Due 12/20/2033	257,631	FHLB Dallas, Texas
	648558	FNMA 1 Yr. TR Due 06/01/2032	123,776	FHLB Dallas, Texas
	661745	FNMA ARM Due 09/01/2032	194,474	FHLB Dallas, Texas
	80540	GNMA II Due 9/20/2031	334,170	FHLB Dallas, Texas
	80562	GNMA II Due 12/20/2033	250,318	FHLB Dallas, Texas
			<u>1,229,262</u>	

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
June 30, 2006

Schedule I
Page 2 of 3

Depository	CUSIP #	Description of Pledged Collateral	Fair Market Value June 30, 2006	Name and Location of Safekeeper
Wells Fargo Bank	3133TG3U1	FHR 2080 Z Due 8/15/2028	126,810	TIB/Fed. Reserve Dallas, Texas
	31385JRN0	FNCL 545993 Due 11/01/2032	175,811	TIB/Fed. Reserve Dallas, Texas
	31385XBD8	FNCL 555436 Due 5/15/2033	228,846	TIB/Fed. Reserve Dallas, Texas
	36225BG69	GNSF 781121 Due 12/15/2029	147,778	TIB/Fed. Reserve Dallas, Texas
	36225BML9	GNSF 781263 Due 03/15/2031	1,340,645	TIB/Fed. Reserve Dallas, Texas
	31407UFQ5	FNCL 840875 Due 04/01/2036	3,504,505	Wells Fargo San Francisco, CA
			<u>5,524,395</u>	
Western Commerce Bank	36202KR56	GNMA #8608 Due 3/20/2025	353,965	FHLB Dallas, Texas
	36202KH32	GNMA #8350 A Due 1/20/2024	68,070	FHLB Dallas, Texas
	31401H6Q0	FBNMA #709279 Due 6/01/2033	417,779	FHLB Dallas, Texas
	36202KV44	GNMA #8735 Due 9/20/2025	102,475	FHLB Dallas, Texas
	36202KYE9	GNMA #8809 Due 7/20/2021	18,884	FHLB Dallas, Texas
	36202KRL6	GNMA #8927 Due 7/20/2026	39,616	FHLB Dallas, Texas
	36202KZC2	GNMA #8839 Due 9/20/2021	58,824	FHLB Dallas, Texas
	36206JKV5	GNMA #412608B Due 5/15/2026	86,433	FHLB Dallas, Texas
	31406KYU4	FNMA #807223 Due 1/01/2035	1,152,689	FHLB Dallas, Texas
	31368PAP3	FNMA #195638 Due 4/01/2022	79,314	FHLB Dallas, Texas
	31361ELU9	FNMA #29139 Due 7/01/2026	66,894	FHLB Dallas, Texas
	31346VK73	FHLMC #390318 Due 1/01/2021	74,996	FHLB Dallas, Texas
	31294KSN6	FHLMC #E01425 Due 8/01/2018	1,301,401	FHLB Dallas, Texas
	36202KEE1	GNMA #8233 Due 6/20/2017	167,444	FHLB Dallas, Texas

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
June 30, 2006

Depository	CUSIP #	Description of Pledged Collateral	Fair Market Value June 30, 2006	Name and Location of Safekeeper
Western Commerce Bank	36202KD93	GNMA #8228 Due 7/20/2023	88,369	FHLB Dallas, Texas
	36202KFV2	GNMA #8280 Due 9/20/2023	84,296	FHLB Dallas, Texas
	36202KRQ0	GNMA #8595 Due 2/20/2025	131,993	FHLB Dallas, Texas
	36225CF35	GNMA #80185B Due 4/20/2028	55,281	FHLB Dallas, Texas
	36255CGJ9	GNMA #80200 Due 5/20/2028	71,195	FHLB Dallas, Texas
	36225CKM7	GNMA #80299 Due 7/20/2029	125,149	FHLB Dallas, Texas
	31371KVP3	FNMA #254522 Due 10/01/2022	760,208	FHLB Dallas, Texas
	31362JUN3	FNMA #62689B Due 6/01/2028	64,889	FHLB Dallas, Texas
			<u>5,370,164</u>	
			Total \$ <u>18,235,100</u>	

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS
FOR PUBLIC FUNDS
June 30, 2006

Account	Account Type	Carlsbad National Bank	Pioneer Savings Bank
Health Insurance Fund	Checking	\$ 240,746	\$ -
Debt Service Fund	Checking	66,275	-
Payroll	Checking	230,849	-
General Operations	Checking	-	-
Permanent Water & Sewer	Checking	-	-
Construction Account	Checking	-	-
Capital Projects Fund	Checking	-	-
City of Carlsbad	Certificate of Deposit	680,000	500,000
City of Carlsbad	Certificate of Deposit	200,000	300,000
City of Carlsbad	Certificate of Deposit	300,000	200,000
City of Carlsbad	Certificate of Deposit	300,000	100,000
City of Carlsbad	Certificate of Deposit	250,000	100,000
City of Carlsbad	Certificate of Deposit	250,000	200,000
City of Carlsbad	Certificate of Deposit	30,000	100,000
City of Carlsbad	Certificate of Deposit	250,000	200,000
City of Carlsbad	Certificate of Deposit	250,000	100,000
City of Carlsbad	Certificate of Deposit	250,000	300,000
City of Carlsbad	Certificate of Deposit	50,000	-
City of Carlsbad	Certificate of Deposit	200,000	-
Investment Account	Investments	-	-
State Treasurer's Debt Service Reserve	Debt Service Reserve	-	-
NMFA Aerial Ladder Trust Fund	Money Market	-	-
NMFA Aerial Ladder Trust Reserve	Money Market	-	-
NMFA Grappler Truck Fund	Money Market	-	-
NMFA Grappler Truck Reserve	Money Market	-	-
NMFA Debt Reserve Sports Complex	Money Market	-	-
NMFA Sports Complex	Money Market	-	-
		<u>3,547,870</u>	<u>2,100,000</u>
Reconciling Items		(73,818)	-
Reconciled balance - June 30, 2006		<u>\$ 3,474,052</u>	<u>\$ 2,100,000</u>

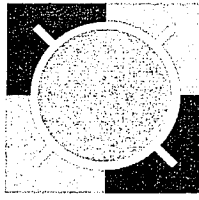
The accompanying notes are an integral part of these financial statements.

Wells Fargo Bank	Western Commerce Bank	Bank of Albuquerque	NMFA Debt Service Reserve	Total
\$ -	\$ -	\$ -	\$ -	\$ 240,746
-	-	-	-	66,275
-	-	-	-	230,849
6,854,913	-	-	-	6,854,913
347,277	-	-	-	347,277
-	1,362,951	-	-	1,362,951
-	1,431,141	-	-	1,431,141
30,000	250,000	-	-	1,460,000
500,000	250,000	-	-	1,250,000
100,000	100,000	-	-	700,000
150,000	200,000	-	-	750,000
100,000	165,000	-	-	615,000
200,000	300,000	-	-	950,000
250,000	300,000	-	-	680,000
300,000	500,000	-	-	1,250,000
100,000	300,000	-	-	750,000
100,000	500,000	-	-	1,150,000
500,000	140,000	-	-	690,000
100,000	-	-	-	300,000
6,224,911	-	-	-	6,224,911
-	-	-	81,669	81,669
-	-	84,629	-	84,629
-	-	1,686	-	1,686
-	-	55,590	-	55,590
-	-	2,848	-	2,848
-	-	199,369	-	199,369
-	-	1,950,729	-	1,950,729
<u>15,857,101</u>	<u>5,799,092</u>	<u>2,294,851</u>	<u>81,669</u>	<u>29,680,583</u>
(666,384)	(380,541)	1	-	(1,120,742)
<u>\$ 15,190,717</u>	<u>\$ 5,418,551</u>	<u>\$ 2,294,852</u>	<u>\$ 81,669</u>	<u>\$ 28,559,841</u>
Petty Cash				2,808
Statement of Net Assets				<u>\$ 28,562,649</u>
Cash and cash equivalents				\$ 8,672,823
Investments				15,569,912
Restricted cash and investments				4,319,914
				<u>\$ 28,562,649</u>

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COMPLIANCE SECTION

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Accounting & Consulting Group, LLP

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*

Domingo P. Martinez, CGFM
New Mexico State Auditor
The Office of Management and Budget
To the Honorable Mayor and City Councilors
City of Carlsbad
Carlsbad, New Mexico

We have audited the financial statements and budgetary comparison 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 as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 22, 2006. We also have audited the financial statements and budgetary comparison schedules of each of the City's nonmajor governmental funds, proprietary funds, 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, 2006 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 City of Carlsbad's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Carlsbad's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Certified Public Accountants

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Carlsbad's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, the Office of the State Auditor, 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.

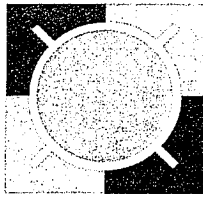
*Accounting and Consulting
Group, LLP*

Accounting & Consulting Group, LLP
Certified Public Accountants

Carlsbad, New Mexico
November 22, 2006

FEDERAL FINANCIAL ASSISTANCE

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Accounting & Consulting Group, LLP

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Domingo P. Martinez, CGFM
New Mexico State Auditor
The Office of Management and Budget
To the Honorable Mayor and City Councilors
City of Carlsbad
Carlsbad, New Mexico

Compliance

We have audited the compliance of the 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, 2006. City of Carlsbad's major federal programs are identified in the summary of auditor's 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 of 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 to each of its major federal programs for the year ended June 30, 2006.

Certified Public Accountants

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Alamogordo * Albuquerque * Carlsbad * Clovis

Internal Control Over Compliance

The management of the City of Carlsbad is responsible for establishing and maintaining effective internal control over compliance with the 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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, the Office of the State Auditor, 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.

*Accounting and Consulting
Group, LLP*

Accounting & Consulting Group, LLP
Certified Public Accountants

Carlsbad, New Mexico
November 22, 2006

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Schedule III
Page (1 of 2)

	<u>CFDA Number</u>	<u>Federal Grantors Number</u>	<u>Program or Award Amount</u>	<u>Expenditures</u>
Federal Emergency Management Agency				
Public Assistance Grant Program	97.029	FEMA-1514-DR-NM	\$ 383,605	\$ 145,522
Fire Fighters Assistance		EMW-2004-FG-13350	102,314	102,314
Fire Fighters Assistance		EMW-2005-FG-05842	<u>148,500</u>	<u>11,368</u>
Total Federal Emergency Management Agency			<u>\$ 634,419</u>	<u>\$ 259,204</u>
U.S. Department of Energy				
Street Improvements (1)	81.502	DE-FG29-03AL68371	<u>\$ 10,243,000</u>	<u>\$2,749,791</u>
U.S. Department of Interior National Park Service				
		H2360042045	<u>\$ 1,956,900</u>	<u>\$ -</u>
U.S. Department of Housing and Urban Development				
Home Program	14.239	03-01-CAR-HOR-001	\$ 68,200	\$ 45,323
Home Program	14.239	04-01-CAR-HOR-001	278,700	-
Carlsbad Science Center	14.228	04-C-NR-I-6-G-76	25,000	35,000
Sign and Landscaping	14.228	05-C-NR-I-6-G-56	<u>25,000</u>	<u>27,500</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 396,900</u>	<u>\$ 107,823</u>
U.S. Department of Transportation				
<i>Federal Aviation Agency</i>				
Airport Improvement Program	20.106	3-35-0007-014-2004	\$ 84,813	\$ 76,628
Airport Improvement Program	20.106	3-35-0007-015-2005	37,294	32,665
Airport Improvement Program	20.106	3-35-0007-016-2006	405,755	-
<i>Passed through NM State Highway Department</i>				
Federal Transit Capital and Operating (1)	20.507	5311/5316(3037)	564,846	330,311
Federal Transit Facility	20.507		779,873	8,909
<i>Passed through NM State Department of Transportation:</i>				
Road Improvements	20.205	STP-4273(901)	500,000	46,649
Surface Transportation Safety (TPZ)	20.205	TPZ-285-1(2)36	<u>175,000</u>	<u>14,327</u>
Total U.S. Department of Transportation			<u>\$ 2,547,581</u>	<u>\$ 509,489</u>
Department of Health and Human Services				
Drug Free Community Grant	93.276	1 H79 SP11315-01	<u>\$ 100,000</u>	<u>\$ 32,909</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Schedule III
Page (2 of 2)

	<u>CFDA Number</u>	<u>Federal Grantors Number</u>	<u>Program or Award Amount</u>	<u>Expenditures</u>
Corporation for National and Community Service				
Retired and Senior Volunteer Program (RSVP)	94.002	02SRWNM009	<u>\$ 44,979</u>	<u>\$ 43,256</u>
U.S. Department of Justice				
Byrne Justice Assistance Grant	16.738	2006-F1203-NM-DJ	<u>\$ 11,335</u>	<u>\$ -</u>
U.S. Department of Finance				
Street Improvement		06-C-NR-I1-G19	<u>\$ 250,000</u>	<u>\$ -</u>
Total Federal Financial Assistance			<u>\$ 16,185,114</u>	<u>\$ 3,702,472</u>

(1) *Denotes Major Program*

Basis of Presentation of Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Carlsbad and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in, or used in the preparation of the governmental fund financial statements may not be consistent with amounts used in the Schedule of Expenditures of Federal Awards.

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Schedule IV

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Carlsbad, New Mexico.
2. There was one reportable condition disclosed during the audit of the financial statements in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The reportable condition was not considered a material weakness.
3. No instances of non-compliance material to the financial statements of the City of Carlsbad were disclosed during the audit.
4. No reportable conditions were identified during the audit of internal control over major federal award programs.
5. The auditor's report on compliance for major federal award programs for the City of Carlsbad expresses an unqualified opinion on all federal programs.
6. The programs tested as major were U. S. Department of Energy Street Improvements, CFDA #81.502, and U. S. Department of Transportation Grants, CFDA #20.507.
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. City of Carlsbad was determined to be a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENT AUDIT

2006-1: Capital Asset and Depreciation Tracking System

Condition

During our audit of capital assets, we encountered significant difficulty in determining current year capital asset additions, depreciation expense, and accumulated depreciation. The capital asset and depreciation tracking system is cumbersome, and the reports generated are inaccurate and do not include necessary information to efficiently perform the rollforward of capital assets from year to year.

The City does not have a process in place to track non-depreciable assets costing less than the City's internal capitalization threshold. Therefore, assets with costs below the threshold are being tracked as depreciable items.

Criteria

NMAC Section 2.20.1.8, paragraph C, provides that the City's capital asset 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 (if needed), betterments and dispositions. It must generate all necessary accounting entries to the agency's general ledger. [09-30-99; Recompiled 10/01/01]

Cause

The inadequacy is a result of using a system that is not capable of properly managing assets or a lack of proper utilization of the system.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Schedule IV

B. FINDINGS-FINANCIAL STATEMENT AUDIT (continued)

2006-1: Capital Asset and Depreciation Tracking System (continued)

Effect

The absence of accurate reports to prepare the rollforward of capital assets and accumulated depreciation caused a significant amount of additional time to be spent preparing the information necessary for financial statement disclosures. In addition, because there are a large number of items purchased each year with costs below the City's internal capitalization threshold, the lack of a process to track non-depreciable items causes the rollforward and reconciliation of capital asset acquisitions to be overly complex. The City is also exposed to additional risk that errors, whether intentional or unintentional, could occur and not be detected.

Recommendation

We recommend the City:

- (1) Adopt the statutory capitalization policy of \$5,000 and segregate its tracking of capitalized assets from non-capital items;
- (2) Evaluate which capital acquisitions costing below the City's capitalization threshold are cost-effective to track, and begin tracking those items as non-depreciable assets;
- (3) Obtain or improve the system so that it accurately generates reports that provide sufficient information to efficiently perform reconciliations of capital asset additions and deletions, current depreciation expense and accumulated depreciation and to perform rollforwards of the summary schedules from year to year;
- (4) Determine the cause of footing errors generated by the depreciation system reports and have them corrected;
- (5) Work with the Office of the State Auditor to develop and implement a plan to clean up the schedule and eliminate those items with minimal costs well below the City's capitalization threshold;
- (6) Track asset additions and betterments from the date they are placed in service, rather than adding the additional costs to the amounts recorded when the original asset was placed in service.

Client Response

City Administration is considering requesting City Council approval to increase the capitalization threshold from the current \$500 to the statutory threshold of \$5,000. In addition, capital assets would be tracked separately from non-capital assets. The City of Carlsbad would also like to seek the approval of the State Auditor in changing the depreciation estimate to allow for the segregation of current assets that fall under the \$5,000 threshold. The City of Carlsbad is researching upgrading its Fixed Asset Software to allow for more effective tracking of assets; including reports that allow for easier identification of individual asset details, groups of assets, and depreciable vs. non-depreciable assets. This process will involve working with a computer programmer to change the existing software to meet current needs. In addition, current staff will be trained in the utilization of the new software.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Schedule IV

C. FINDINGS-FEDERAL PROGRAMS

None

D. FINDINGS-PRIOR YEAR AUDIT

2005-1: Capital Assets – Revised and repeated as 2006-1

2005-2: Physical Inventory – Resolved and not repeated

2005-3: Assets and Liabilities not properly recorded in the City's Books – Resolved and not repeated

STATE OF NEW MEXICO
CITY OF CARLSBAD
OTHER DISCLOSURES
Year Ended June 30, 2006

AUDITOR PREPARED FINANCIAL STATEMENTS

Although it would be preferred and desirable for the City to prepare its own GAAP-basis financial statements, it is felt that the City's personnel have neither the time nor the expertise to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

EXIT CONFERENCE

The contents of the report for the City of Carlsbad were discussed on December 1, 2006. The following individuals were in attendance.

City of Carlsbad Officials

Bob Forrest, Mayor
Ned Z. Elkins, City Councilor
Harry Burgess, City Administrator
Monica Harris, City Treasurer

Auditors

S. John Manganaro, CPA
Barton Schwarzbek, CPA

