

STATE OF NEW MEXICO
CITY OF CARLSBAD
ANNUAL FINANCIAL REPORT
JUNE 30, 2007

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
CITY OF CARLSBAD

OFFICIAL ROSTER
June 30, 2007

Name

List of Officials

Title

City of Carlsbad

Bob Forrest
Paul C. Aguilar
Jimmie Cisneros
Jeff Diamond
Manual Anaya
Judi Waters
Ned Z. Elkins
Brad A. Day
Louise Tracy

Mayor
City Councilor – Ward 1
City Councilor – Ward 1
City Councilor – Ward 2
City Councilor – Ward 2
City Councilor – Ward 3
City Councilor – Ward 3
City Councilor – Ward 4
City Councilor – Ward 4

Administrative Officials:

Harry Burgess
Monica Harris
Ranea Chambless
Eileen R. Riordan

City Administrator
City Treasurer
City Clerk
City Attorney

STATE OF NEW MEXICO
CITY OF CARLSBAD
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2007

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FINANCIAL SECTION

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Accounting & Consulting Group, LLP

INDEPENDENT AUDITOR'S REPORT

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget and
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, the aggregate remaining fund information and the budgetary comparison of the general fund of the City of Carlsbad, New Mexico, as of and for the year ended June 30, 2007, 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 comparisons 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, 2007 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 City'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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital projects fund, enterprise funds, and all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2007 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Accounting & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Certified Public Accountants

Carlsbad, New Mexico
December 3, 2007

FY 2006-2007 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, 2007. The financial performance is presented within the context of the accompanying financial statements and disclosures prepared by the independent auditor. The purpose of this section is to assist the reader to more easily understand and utilize the accompanying financial statements.

Financial Highlights

- The assets of the City of Carlsbad exceeded its liabilities at the close of the most recent fiscal year by \$84,821,216 (net assets). Of this amount \$27,933,259 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. Available liquid assets, however, amount to approximately \$7.2 million in cash and investments.
- The government's total net assets increased by \$1,764,526. A little over \$1,000,000 of this increase is due to a decrease in accounts payable and long-term debt; the rest was due to an increase in cash and capital assets.
- As of the close of the current fiscal year, the City of Carlsbad's governmental funds reported combined ending fund balances of \$14,786,878, an increase of \$2,596,885 in comparison with the prior year.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$11,516,973 or 58.8 percent of total general fund expenditures. This amount includes approximately \$3.3 million in accounts receivable.
- The City of Carlsbad's total debt decreased by \$1,050,510 (3.6 percent), during the current fiscal year due to regular debt service payments.

Overview of the Financial Statements

The City of Carlsbad's basic financial statements are comprised of the following components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) other supplementary information.

Government-wide financial statements

The government-wide financial statements are prepared to present the City of Carlsbad's financial position in the same manner as private-sector businesses in order to allow the reader to more easily compare the City of Carlsbad's financial performance with that of private-sector businesses.

The City of Carlsbad's assets and liabilities are presented in the statement of net assets; the difference between the assets and liabilities are net assets. As with private-sector business, increases or decrease in net assets may indicate a strengthening or weakening of the City of Carlsbad's financial position.

The statement of activities presents the changes in the government's net assets for the current fiscal year. Changes in net assets are reported on an accrual basis not a cash basis. Revenues earned but not received and expenditures incurred but not paid are reported in the statement of activities.

The government-wide financial statements report governmental funds and proprietary funds separately. Governmental funds present financial information regarding governmental activities that are principally supported by taxes and intergovernmental revenues. Proprietary funds present financial information

regarding business-type activities, in which users are charged fees to cover the costs of the activities. The governmental activities of the City of Carlsbad include the general administration, public safety, emergency services, public works, community development, and culture and recreation. The proprietary activities of the City of Carlsbad include solid waste, water and sewer utility, cemetery, municipal transit, museum, and the performing arts and exhibition center.

The government-wide financial statements are located at Exhibits A-1 and A-2 of this report.

Fund Financial Statements

Fund accounting groups related accounts to present financial information for specific activities that are required to be accounted for separately in order to track resources and compliance with legal requirements. The City of Carlsbad has governmental funds and proprietary funds.

Governmental Funds

Governmental funds report the same governmental activities that are presented in the government-wide financial statements. Unlike the government-wide financial statements, the governmental funds financial statements use cash basis accounting. While the government-wide financial statements present a long-term view of the City of Carlsbad's financial position, the governmental fund financial statements present a short-term view of financial position. Reconciliations are provided in Exhibit B-2 to help the reader compare the government-wide financial statements with the governmental fund financial statements.

The City of Carlsbad's Administration 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 to the City Council for approval. In this way, the budget can be viewed as a continuum rather than isolated budget components.

The General Fund and the National Cave-Karst Research Institute are reported separately since they are major funds. The remaining governmental funds are presented in combining statements. Budgetary comparisons are provided to present the City of Carlsbad's performance within budget constraints.

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
2. Personnel Department
3. Judicial Department
4. Finance Department
5. City Clerk
6. Police Department
7. Fire Department
8. Street Department
9. Garage
10. Electrical Department
11. Construction Department

12. Community Service Department
13. Golf Course
14. Parks Department
15. Airport
16. Library
17. Museum
18. GIS
19. Engineering Department
20. Licensing & Permits Department
21. Community Development 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
2. Riverwalk Recreation Center Fund
3. Lodgers' Tax Fund
4. E911 Fund
5. Narcotics Forfeiture Fund
6. Airport Improvement Fund
7. RSVP Fund
8. Special Police Programs Fund
9. Law Enforcement Protection Fund
10. Local Government Corrections Fund
11. Emergency Medical Services Fund
12. Permanent Water and Sewer Utility Fund
13. Youth Sports Complex 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
2. Street Improvement Fund
3. State Legislative Grant Funds
4. CIEP Fund
5. Park Improvement Fund
6. Water Improvement Fund
7. Sewer Improvement Fund
8. Landfill Improvement Fund
9. Landfill Closure/Post-Closure Fund
10. Old Landfill Closure Fund
11. National Cave/Karst Research Institute 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
2. 1998 Water and Sewer Bond
3. 1998 Water and Sewer Bond Rebate Fund
4. 1998 Water and Sewer Bond Reserve Fund

The basic governmental fund financial statements are presented in Exhibits B-1 through C of this report.

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
2. Solid Waste Fund
3. Municipal Transit Fund
4. Special Museum Fund
5. Performing Arts & Exhibition Center 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
2. Workers Compensation Fund
3. Insurance Fund
4. Health Insurance Fund

The basic proprietary fund financial statements are presented in Exhibits D-1 through D-3 of this report.

Notes to the financial statements

The notes to the financial statements provide additional information to help the reader understand the information provided in the government-wide financial statements and the fund financial statements. They can be found on pages 45 through 72 of this report.

Required Supplementary information

Combining and individual fund statements are presented on pages 75 through 142 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial positions. In the case of the City of Carlsbad, assets exceeded liabilities by \$84,821,216 at the close of the most recent fiscal year.

The largest portion of the City of Carlsbad's net assets (49 percent) reflect its investment in capital assets (ex: land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Carlsbad uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Carlsbad's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Carlsbad's Net Assets

	Governmental Activities		Business-type Activities		Total	
	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007
Current and other assets	\$ 16,970,030	\$ 20,619,094	\$ 16,928,137	\$ 15,850,696	\$ 33,898,167	\$ 36,469,790
Capital Assets, net of accumulated depreciation	42,806,604	41,420,848	36,639,505	36,167,654	79,446,109	77,588,502
Total Assets	59,776,634	62,039,942	53,567,642	52,018,350	113,344,276	114,058,292
Long-term liabilities outstanding	7,965,845	7,663,416	18,073,323	17,714,912	26,039,168	25,378,328
Other liabilities	3,103,777	2,818,429	1,144,641	1,040,319	4,248,418	3,858,748
Total liabilities	11,069,622	10,481,845	19,217,964	18,755,231	30,287,586	29,237,076
Net Assets	\$ 48,707,012	\$ 51,558,097	\$ 34,349,678	\$ 33,263,119	\$ 83,056,690	\$ 84,821,216

An additional portion of the City of Carlsbad's net assets of \$950,041 (1.1 percent) is restricted for Debt Service payments. The remaining balance of unrestricted net assets (\$27,933,259) may be used to meet the government's ongoing obligations to citizens and creditors; however, not all unrestricted net assets are liquid assets.

At the end of the current fiscal year, the City of Carlsbad is able to report positive balances in all three categories of net assets, both for the government as a whole as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was a decrease of approximately \$1,549,292 in capital assets reported in connection with the City of Carlsbad's business-type activities. The majority of this decrease resulted from depreciation of capital assets.

Governmental activities

Governmental activities increased the City of Carlsbad's net assets by \$2,851,085. Key elements of this increase are as follows:

- Capital grants and contributions increased \$4,287,054.
- Other revenues increased \$3,457,344.
- General government expenses increased \$4,458,035.
- Public safety expenses increased \$4,017,949.
- Public works expenses increased \$1,844,831.

Business-type activities

Business-type activities decreased the City of Carlsbad's net assets by \$1,086,560.

- Revenues experienced a slight decrease of \$531,771 and expenses experienced a slight increase of \$138,276 during the year. There does not seem to be adequate charges for services; therefore causing a decrease in net assets of \$1,086,560. The City of Carlsbad is planning to review charges for services in the 2007-2008 fiscal year.

City of Carlsbad's Revenues and Expenses

	Governmental Activities		Business-type Activities		Total	
	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007
Revenues						
Taxes	\$ 20,378,245	\$ 21,061,593	\$ 500,903	\$ 486,570	\$ 20,879,148	\$ 21,548,163
Intergovernmental	2,026,700	2,596,500	(2,026,700)	(2,596,500)	-	-
Charges for services	746,339	1,359,355	10,749,736	10,655,948	11,496,075	12,015,303
Operating grants and contributions	1,433,306	792,081	832,435	280,763	2,265,741	1,072,844
Capital grants and contributions	4,122,817	8,409,871		466,414	4,122,817	8,876,285
Other	2,018,684	5,476,028	351,539	582,947	2,370,223	6,058,975
Total Revenue	30,726,091	39,695,428	10,407,913	9,876,142	41,134,004	49,571,570
Expenses						
Current:						
General government	4,479,785	8,937,820			4,479,785	8,937,820
Public safety	10,995,463	15,013,412			10,995,463	15,013,412
Public works	4,367,966	6,212,797			4,367,966	6,212,797
Culture and recreation	3,763,616	4,545,496			3,763,616	4,545,496
Public health and welfare	208,060	701,159			208,060	701,159
Economic development	2,304,906	1,255,441			2,304,906	1,255,441
Debt Service:						
Interest on long-term debt	271,598	178,218			271,598	178,218
Solid waste			3,671,329	3,498,777	3,671,329	3,498,777
Joint Water and Sewer			6,229,790	6,448,153	6,229,790	6,448,153
Museum			8,602	8,057	8,602	8,057
Municipal Transit			482,553	562,923	482,553	562,923
Performing Arts Centre			186,229	214,181	186,229	214,181
Cemetery			245,923	230,611	245,923	230,611
Total Expenses	26,391,394	36,844,343	10,824,426	10,962,702	37,215,820	47,807,045
Excess of revenues over expenses	\$ 4,334,697	\$ 2,851,085	\$ (416,513)	\$ (1,086,560)	\$ 3,918,184	\$ 1,764,525

Fund Financial Analysis

The City of Carlsbad uses fund accounting in order to track utilization of resources and compliance with legal requirements.

Governmental Funds

As noted earlier, the City of Carlsbad's governmental funds financial statements use cash basis accounting. This causes the governmental fund financial statements to present a short-term view of financial position. The end of year unreserved fund balance (cash balance) indicates financing requirements that might or might not be needed to meet future year's goals.

As of the end of the current fiscal year, the City of Carlsbad's governmental funds reported combined ending fund balances of \$14,786,878, an increase of \$2,596,885 in comparison with the prior year. Approximately 89.6 percent of this total amount, \$13,250,685, constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. Approximately 8.4 percent of the total amount, \$1,239,432, is reserved for capital acquisition, and the remainder, \$296,761, is reserved for debt service.

The general fund is the chief operating fund of the City of Carlsbad. At the end of the current fiscal year, unreserved fund balance of the general fund was \$11,516,973 and represents 58.8 percent of total general fund expenditures.

Proprietary funds

Proprietary funds report the same information as the business-type activities in the City of Carlsbad's government-wide financial statements in more detail.

Budgetary Highlights

There were two significant differences between the original budget and the final amended budget due to additional federal and state grants in the combined nonmajor funds.

- Economic Development expenditures increased \$2,074,055
- Capital outlay expenditures increased \$7,519,348

The following table examines the summary budget performance of the major and combined nonmajor funds for the fiscal year ending June 30, 2007. Detailed budget performance is examined through the Statement of Revenues, Expenditures and Changes in Fund Balance for the general fund found at Exhibit C and the Statement of Revenues, Expenditures and Changes in Fund Balance for the nonmajor funds found at Statements A-3 through A-31.

	Original Budget	Final Budget	Actual	Variance
General Fund:				
General government	\$ 3,199,768	\$ 3,330,500	\$ 2,944,551	\$ 385,949
Public Safety	11,170,321	11,408,418	10,219,353	1,189,065
Public works	3,414,941	3,408,536	2,964,754	443,782
Culture and recreation	2,708,734	2,764,355	2,464,875	299,480
Public health and welfare	144,870	144,870	142,726	2,144
Economic development	320,991	330,155	298,442	31,713
Capital outlay	576,052	610,403	549,453	60,950
Combined Nonmajor Funds:				
General government	114,100	114,100	70,500	43,600
Public Safety	582,915	611,200	492,427	118,773
Public works	942,177	1,274,087	789,661	484,426
Culture and recreation	981,490	1,020,901	745,384	275,517
Public health and welfare	131,892	132,177	85,022	47,155
Economic development	2,516,252	4,590,307	867,137	3,723,170
Capital outlay	16,133,027	23,652,375	9,028,534	14,623,841
Debt service	883,832	883,832	883,765	67

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, 2007, amounts to \$77,588,502 (net of accumulated depreciation). This investment in capital assets includes land, water rights, construction in progress, structures and improvements, utility property and structures, equipment, software, and infrastructure.

The significant additions to capital assets during the year were as follows:

- Road Improvements of approximately \$2 million

City of Carlsbad's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007
Land and water rights	\$ 1,927,816	\$ 1,934,177	\$ 1,623,960	\$ 1,623,960	\$ 3,551,776	\$ 3,558,137
Construction in progress	544,843	1,450,902	319,935	-	864,778	1,450,902
Structures and improvements	34,659,257	39,247,660			34,659,257	39,247,660
Utility property and structures			52,335,039	53,708,178	52,335,039	53,708,178
Equipment and software	11,599,866	12,211,787	7,868,301	7,841,710	19,468,167	20,053,497
Infrastructure	27,495,569	29,361,147			27,495,569	29,361,147
	76,227,351	84,205,673	62,147,235	63,173,848	138,374,586	147,379,521
Less accumulated depreciation	33,420,747	42,784,825	25,507,730	27,006,194	58,928,477	69,791,019
	\$ 42,806,604	\$ 41,420,848	\$ 36,639,505	\$ 36,167,654	\$ 79,446,109	\$ 77,588,502

Additional information on the City of Carlsbad's capital assets can be found in Note 6 on pages 61-62 of this report.

Long-term Debt

At the end of the current fiscal year, the City of Carlsbad had total debt from outstanding bonds of \$17,695,000, loans outstanding of \$3,955,586, compensated absences of \$1,203,801, and Landfill closure and post closure costs of \$2,525,505. The bonds are secured by pledged gross receipts tax and operating revenues.

	Governmental Funds		Business-type activities		Total	
	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007
2002 Governmental Gross Receipts Tax Bond	\$ 3,265,000	\$ 3,040,000	\$ -	\$ -	\$ 3,265,000	\$ 3,040,000
1998 Joint Water and Sewer Refunding and Improvement Bond			15,560,000	14,655,000	15,560,000	14,655,000
NMFA Sport Complex Loan Payable	2,996,979	2,653,084			2,996,979	2,653,084
NMFA Ladder Truck Loan Payable	958,758	902,105			958,758	902,105
NMFA Refuse Trucks Loan Payable			451,118	400,397	451,118	400,397
Compensated absences	745,108	1,068,227	101,866	135,574	846,974	1,203,801
Landfill closure and post closure			1,960,339	2,525,505	1,960,339	2,525,505
	<u>\$ 7,965,845</u>	<u>\$ 7,663,416</u>	<u>\$ 18,073,323</u>	<u>\$ 17,716,476</u>	<u>\$ 26,039,168</u>	<u>\$ 25,379,892</u>

Additional information on the City of Carlsbad’s long-term debt can be found in Note 7 on pages 62-66 of this report.

Economic Factors and Next Years Budget

The City of Carlsbad is located in Eddy County, New Mexico. As with most municipalities in the area, the City of Carlsbad has a healthy economy and employment rates. Oil and gas and construction industries have done very well. Oil and gas ordinance revenues increased 50% and building permit revenues increased 25% over last fiscal year.

The City of Carlsbad receives approximately 75% of its general fund revenues from gross receipts and 8% from property taxes. Gross receipts tax revenue increased approximately 9% over last fiscal year, but property tax revenue only increased approximately .5% over last fiscal year.

The City of Carlsbad has appropriated \$22,169,280 of unreserved general fund balance and \$66,576,179 of government-wide unreserved fund balance for spending in fiscal year 2007-2008. There will be an adjustment of approximately \$500,000 to \$600,000 to the fiscal year 2007-2008 appropriations due to the International Association of Fire Fighters lawsuit.

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.

**BASIC
FINANCIAL STATEMENTS**

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STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF NET ASSETS
June 30, 2007

Exhibit A-1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 12,321,808	\$ 7,766,602	\$ 20,088,410
Investments	2,830,000	3,955,000	6,785,000
Receivables (net of allowance for uncollectibles)	4,301,157	1,106,238	5,407,395
Inventories	-	260,665	260,665
Restricted cash and investments	2,736,193	804,811	3,541,004
Interfund balances	(1,570,064)	1,570,064	-
Capital assets:			
Land, water rights and construction in progress	1,934,177	1,623,960	3,558,137
Other assets, net of accumulated depreciation	39,486,671	34,543,694	74,030,365
Other assets	-	387,316	387,316
Total assets	\$ 62,039,942	\$ 52,018,350	\$ 114,058,292
LIABILITIES AND NET ASSETS			
Accounts payable and other current liabilities	\$ 1,053,621	\$ 980,536	\$ 2,034,157
Accrued interest payable	114,808	58,219	173,027
Deferred revenue	1,650,000	-	1,650,000
Noncurrent liabilities:			
Compensated absences			
Due within one year	163,986	27,981	191,967
Due in more than one year	904,241	107,593	1,011,834
Long-term debt			
Due within one year	637,922	1,001,978	1,639,900
Due in more than one year	5,957,267	14,053,419	20,010,686
Estimated liability for landfill closure and post closure care	-	2,525,505	2,525,505
Total liabilities	10,481,845	18,755,231	29,237,076
Invested in capital assets, net of related debt	34,825,659	21,112,257	55,937,916
Restricted for:			
Debt service	950,041	-	950,041
Unrestricted	15,782,397	12,150,862	27,933,259
Total net assets	51,558,097	33,263,119	84,821,216
Total liabilities and net assets	\$ 62,039,942	\$ 52,018,350	\$ 114,058,292

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, 2007

<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	\$ 8,937,820	\$ 1,159,574	\$ 324,129	\$ 4,093,382
Public safety	15,013,412	168,994	392,468	16,936
Public works	6,212,797	11,158	9,193	4,147,026
Culture and recreation	4,545,496	19,629	15,909	-
Public health and welfare	701,159	-	50,382	-
Economic development	1,255,441	-	-	152,527
Interest on long-term debt	178,218	-	-	-
Total governmental activities	<u>36,844,343</u>	<u>1,359,355</u>	<u>792,081</u>	<u>8,409,871</u>
Business-type activities				
Solid Waste	3,498,777	3,522,535	-	413,835
Joint Water and Sewer	6,448,153	6,911,425	4,885	-
Museum	8,057	12,065	-	-
Municipal Transit Fund	562,923	58,441	275,878	52,579
Performing Arts Centre	214,181	8,561	-	-
Cemetery	230,611	142,921	-	-
Total business-type activities	<u>10,962,702</u>	<u>10,655,948</u>	<u>280,763</u>	<u>466,414</u>
Total primary government	<u>\$ 47,807,045</u>	<u>\$ 12,015,303</u>	<u>\$ 1,072,844</u>	<u>\$ 8,876,285</u>

General Revenues:

Property taxes
Gross receipts taxes
Franchise taxes
Motor vehicle and fuel taxes
Cigarette taxes
Oil and gas tax
Lodger's taxes
Miscellaneous
Unrestricted investment earnings
Gain (loss) of sale of fixed assets
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
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
\$ (3,360,735)	\$ -	\$ (3,360,735)
(14,435,014)	-	(14,435,014)
(2,045,420)	-	(2,045,420)
(4,509,958)	-	(4,509,958)
(650,777)	-	(650,777)
(1,102,914)	-	(1,102,914)
(178,218)	-	(178,218)
<u>(26,283,036)</u>	<u>-</u>	<u>(26,283,036)</u>
-	437,593	437,593
-	468,157	468,157
-	4,008	4,008
-	(176,025)	(176,025)
-	(205,620)	(205,620)
-	(87,690)	(87,690)
-	440,423	440,423
<u>(26,283,036)</u>	<u>440,423</u>	<u>(25,842,613)</u>
1,673,993	-	1,673,993
17,672,429	475,850	18,148,279
714,996	-	714,996
438,129	-	438,129
71,687	-	71,687
-	10,720	10,720
490,359	-	490,359
5,185,490	-	5,185,490
321,189	598,360	919,549
(30,651)	(15,413)	(46,064)
<u>2,596,500</u>	<u>(2,596,500)</u>	<u>-</u>
<u>29,134,121</u>	<u>(1,526,983)</u>	<u>27,607,138</u>
<u>2,851,085</u>	<u>(1,086,560)</u>	<u>1,764,525</u>
<u>48,707,012</u>	<u>34,349,679</u>	<u>83,056,691</u>
<u>\$ 51,558,097</u>	<u>\$ 33,263,119</u>	<u>\$ 84,821,216</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

Exhibit B-1
(Page 1 of 2)

	<u>General Fund</u>	<u>National Cave-Karst Institute</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 6,016,237	\$ 1,650,000	\$ 2,917,426	\$ 10,583,663
Investments	2,800,000	-	30,000	2,830,000
Receivables:				
Accounts	4,146	-	-	4,146
Taxes	3,122,287	-	221,682	3,343,969
Intergovernmental	84,216	-	727,773	811,989
Interest	85,368	-	525	85,893
Interfund receivable	-	-	-	-
<i>Total current assets</i>	<u>12,112,254</u>	<u>1,650,000</u>	<u>3,897,406</u>	<u>17,659,660</u>
<i>Restricted assets</i>				
Debt service	-	-	296,761	296,761
Capital acquisitions	-	-	1,239,432	1,239,432
<i>Total restricted assets</i>	<u>-</u>	<u>-</u>	<u>1,536,193</u>	<u>1,536,193</u>
<i>Total assets</i>	<u>\$ 12,112,254</u>	<u>\$ 1,650,000</u>	<u>\$ 5,433,599</u>	<u>\$ 19,195,853</u>
<i>Liabilities and Fund Balance</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 11,459	\$ -	\$ 583,459	\$ 594,918
Accrued expenses	563,340	-	10,171	573,511
Interfund payable	-	-	1,570,064	1,570,064
Deferred revenue	20,482	1,650,000	-	1,670,482
<i>Total current liabilities</i>	<u>595,281</u>	<u>1,650,000</u>	<u>2,163,694</u>	<u>4,408,975</u>
<i>Fund balance</i>				
Reserved for debt service	-	-	296,761	296,761
Reserved for capital acquisition	-	-	1,239,432	1,239,432
Unreserved:				
Undesignated				
General fund	11,516,973	-	-	11,516,973
Special revenue funds	-	-	813,799	813,799
Capital projects funds	-	-	(30,128)	(30,128)
Debt service funds	-	-	950,041	950,041
<i>Total fund balance</i>	<u>11,516,973</u>	<u>-</u>	<u>3,269,905</u>	<u>14,786,878</u>
<i>Total liabilities and fund balance</i>	<u>\$ 12,112,254</u>	<u>\$ 1,650,000</u>	<u>\$ 5,433,599</u>	<u>\$ 19,195,853</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, 2007

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	\$ 14,786,878
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	41,420,848
Revenue related to delinquent property taxes receivable is not considered to be current financial resources and therefore, is deferred in the funds.	20,482
Other liabilities are not due and payable in the current period and therefore are not reported in the funds - accrued interest payable	
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	(1,068,227)
Bonds and notes payable	(6,595,189)
Other	(1)
The remaining fund balances of internal service funds reported as governmental activities are not reported in the governmental funds	<u>2,993,306</u>
Net assets of governmental activities	<u>\$ 51,558,097</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, 2007

Exhibit B-2
(Page 1 of 2)

	<u>General Fund</u>	<u>National Cave-Karst Institute</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Revenues:</i>				
Taxes				
Property	\$ 1,673,993	\$ -	\$ -	\$ 1,673,993
Gross receipts	16,832,196	-	788,589	17,620,785
Gasoline and motor vehicle taxes	-	-	438,129	438,129
Lodging taxes	-	-	490,359	490,359
Franchise tax	714,996	-	-	714,996
Cigarette tax	47,732	-	23,955	71,687
Intergovernmental				
Federal grants	223,415	-	5,814,725	6,038,140
State grants	738,603	-	2,425,209	3,163,812
Charges for services	475,194	-	199,781	674,975
Licenses and permits	249,901	-	70,332	320,233
Fines and forfeits	364,147	-	-	364,147
Miscellaneous	432,029	-	333,283	765,312
Investment income	150,657	-	113,091	263,748
<i>Total revenues</i>	<u>21,902,863</u>	<u>-</u>	<u>10,697,453</u>	<u>32,600,316</u>
<i>Expenditures:</i>				
Current:				
General government	2,965,772	-	73,735	3,039,507
Public safety	10,201,541	-	471,302	10,672,843
Public works	2,948,038	-	852,216	3,800,254
Culture and recreation	2,470,280	-	815,635	3,285,915
Public health and welfare	143,302	-	84,092	227,394
Economic development	300,116	-	873,620	1,173,736
Capital outlay	546,508	-	7,510,307	8,056,815
Debt service:				
Principal	-	-	625,548	625,548
Interest	-	-	258,217	258,217
<i>Total expenditures</i>	<u>19,575,557</u>	<u>-</u>	<u>11,564,672</u>	<u>31,140,229</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,327,306</u>	<u>-</u>	<u>(867,219)</u>	<u>1,460,087</u>
<i>Other financing sources (uses):</i>				
Sale of assets	-	-	620	620
Transfers in	2,882,872	-	1,411,534	4,294,406
Transfers (out)	(1,869,048)	-	(1,289,179)	(3,158,227)
<i>Total other financing sources (uses)</i>	<u>1,013,824</u>	<u>-</u>	<u>122,975</u>	<u>1,136,799</u>
<i>Net change in fund balances</i>	3,341,130	-	(744,244)	2,596,886
<i>Fund balances - beginning of year</i>	<u>8,175,843</u>	<u>-</u>	<u>4,014,149</u>	<u>12,189,992</u>
<i>Fund balances - end of year</i>	<u>\$ 11,516,973</u>	<u>\$ -</u>	<u>\$ 3,269,905</u>	<u>\$ 14,786,878</u>

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, 2007

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

Net change in fund balances	\$ 2,596,886
-----------------------------	--------------

Change in net assets of internal service funds	1,270,046
--	-----------

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	8,009,594
Depreciation expense	(9,364,079)
Decrease in net book value of capital assets on disposal	(31,271)

Other	(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:

Increase in liability for compensated absences	(323,119)
Decrease in accrued interest payable	89,396
Proceeds from debt issuance	-
Principal payments on bonds	225,000
Principal payments on notes	400,548
Decrease in deferred revenue	(21,915)

Change in net assets of governmental activities	\$ <u>2,851,085</u>
---	---------------------

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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ 1,576,746	\$ 1,576,746	\$ 1,655,338	\$ 78,592
Gross receipts	15,145,211	15,145,211	16,607,542	1,462,331
Gasoline and motor vehicle taxes	20,000	20,000	15,659	(4,341)
Cigarette taxes	56,000	56,000	47,732	(8,268)
Franchise taxes	730,000	730,000	768,147	38,147
Intergovernmental				
Federal grants	-	51,085	223,415	172,330
State grants	399,196	481,209	654,387	173,178
Licenses and permits	182,900	182,900	235,956	53,056
Charges for services	522,360	522,360	476,960	(45,400)
Fines and forfeits	374,300	374,300	364,147	(10,153)
Miscellaneous	597,985	599,414	452,473	(146,941)
Interest	100,700	100,700	109,948	9,248
<i>Total revenues</i>	<u>19,705,398</u>	<u>19,839,925</u>	<u>21,611,704</u>	<u>1,771,779</u>
<i>Expenditures:</i>				
Current:				
General government	3,199,768	3,330,500	2,944,551	385,949
Public safety	11,170,321	11,408,418	10,219,353	1,189,065
Public works	3,414,941	3,408,536	2,964,754	443,782
Culture and recreation	2,708,734	2,764,355	2,464,875	299,480
Public health and welfare	144,870	144,870	142,726	2,144
Economic development	320,991	330,155	298,442	31,713
Capital outlay	576,052	610,403	549,453	60,950
<i>Total expenditures</i>	<u>21,535,677</u>	<u>21,997,237</u>	<u>19,584,154</u>	<u>2,413,083</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,830,279)</u>	<u>(2,157,312)</u>	<u>2,027,550</u>	<u>4,184,862</u>
<i>Other financing sources (uses):</i>				
Designated cash	637,771	960,186	-	(960,186)
Sale of assets	2,000	2,000	-	(2,000)
Transfers in (out)	1,190,508	1,195,126	1,016,769	(178,357)
<i>Total other financing sources (uses)</i>	<u>1,830,279</u>	<u>2,157,312</u>	<u>1,016,769</u>	<u>(1,140,543)</u>
<i>Net change in fund balance</i>	-	-	3,044,319	3,044,319
<i>Fund balance - beginning of year</i>	-	-	5,776,066	5,776,066
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 8,820,385	\$ 8,820,385

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, 2007

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	\$ 893,415	\$ 6,610,306	\$ 262,881	\$ 7,766,602
Investments	855,000	3,100,000	-	3,955,000
Accounts receivable	270,114	836,124	-	1,106,238
Interfund receivable	-	1,570,064	-	1,570,064
Inventory	-	260,665	-	260,665
	<u>2,018,529</u>	<u>12,377,159</u>	<u>262,881</u>	<u>14,658,569</u>
<i>Total current assets</i>				
<i>Noncurrent assets</i>				
<i>Restricted assets</i>				
Debt service	58,423	-	-	58,423
Capital acquisitions	2,994	396,117	-	399,111
Other purposes	-	347,277	-	347,277
	<u>61,417</u>	<u>743,394</u>	<u>-</u>	<u>804,811</u>
<i>Total restricted assets</i>				
<i>Capital assets</i>				
Land, water rights and construction in progress	-	1,422,934	201,026	1,623,960
Other assets, net of accumulated depreciation	1,587,863	30,564,910	2,390,921	34,543,694
	<u>1,587,863</u>	<u>31,987,844</u>	<u>2,591,947</u>	<u>36,167,654</u>
<i>Total capital assets</i>				
<i>Other assets</i>				
Unamortized bond discount	-	387,316	-	387,316
	<u>1,649,280</u>	<u>33,118,554</u>	<u>2,591,947</u>	<u>37,359,781</u>
<i>Total noncurrent assets</i>				
<i>Total assets</i>	<u>\$ 3,667,809</u>	<u>\$ 45,495,713</u>	<u>\$ 2,854,828</u>	<u>\$ 52,018,350</u>

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

Governmental
Activities-
Internal
Service Funds

\$ 1,738,145
-
55,161
-
1,793,306

-
-
1,200,000
1,200,000

-
-

-
1,200,000

\$ 2,993,306

STATE OF NEW MEXICO
CITY OF CARLSBAD
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2007

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>Liabilities and Net Assets</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 53,353	\$ 98,970	\$ 385	\$ 152,708
Accrued expenses	36,526	76,978	11,466	124,970
Compensated absences current portion	10,615	16,333	1,033	27,981
Bond payable - current portion	-	950,000	-	950,000
Note payable - current portion	51,978	-	-	51,978
<i>Total current liabilities</i>	<u>152,472</u>	<u>1,142,281</u>	<u>12,884</u>	<u>1,307,637</u>
<i>Noncurrent liabilities</i>				
Bonds payable - net of cur. portion	-	13,705,000	-	13,705,000
Note payable - net of cur. portion	348,419	-	-	348,419
Compensated absences	36,046	64,658	6,889	107,593
Customer deposits	-	761,077	-	761,077
Estimated liability - landfill closure and post closure care	2,525,505	-	-	2,525,505
<i>Total noncurrent liabilities</i>	<u>2,909,970</u>	<u>14,530,735</u>	<u>6,889</u>	<u>17,447,594</u>
<i>Net Assets</i>				
Invested in capital assets, net of related debt	1,187,466	17,332,844	2,591,947	21,112,257
Restricted for computer lease	-	-	-	-
Restricted for insurance claims	-	-	-	-
Unrestricted	(582,099)	12,489,853	243,108	12,150,862
<i>Total net assets</i>	<u>605,367</u>	<u>29,822,697</u>	<u>2,835,055</u>	<u>33,263,119</u>
<i>Total liabilities and net assets</i>	<u>\$ 3,667,809</u>	<u>\$ 45,495,713</u>	<u>\$ 2,854,828</u>	<u>\$ 52,018,350</u>

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

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, 2007

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>				
Taxes				
Gross receipts taxes	\$ 475,850	\$ -	\$ -	\$ 475,850
Oil and gas		10,720		10,720
Intergovernmental				
Federal grants	-	-	328,457	328,457
State grants	413,835	4,885	-	418,720
Charges for services	3,522,134	6,892,989	220,770	10,635,893
Miscellaneous	401	18,436	1,218	20,055
<i>Total operating revenues</i>	<u>4,412,220</u>	<u>6,927,030</u>	<u>550,445</u>	<u>11,889,695</u>
<i>Operating expenses:</i>				
Current:				
Personnel services	1,185,796	2,297,184	443,022	3,926,002
General insurance	-	-	-	-
Workers' compensation and health benefits	-	-	-	-
Other operating expenses	2,300,622	3,404,845	572,750	6,278,217
Capital outlay	-	-	-	-
<i>Total operating expenses</i>	<u>3,486,418</u>	<u>5,702,029</u>	<u>1,015,772</u>	<u>10,204,219</u>
<i>Operating income (loss)</i>	<u>925,802</u>	<u>1,225,001</u>	<u>(465,327)</u>	<u>1,685,476</u>
<i>Nonoperating revenues (expenses):</i>				
Sale of assets	1,680	(17,093)	-	(15,413)
Interest income	66,965	531,395	-	598,360
Interest expense	(12,359)	(746,124)	-	(758,483)
<i>Total nonoperating revenues (expenses)</i>	<u>56,286</u>	<u>(231,822)</u>	<u>-</u>	<u>(175,536)</u>
<i>Income (loss) before transfers</i>	<u>982,088</u>	<u>993,179</u>	<u>(465,327)</u>	<u>1,509,940</u>
Transfers in	136,008	-	642,434	778,442
Transfers (out)	(1,571,583)	(1,784,184)	(19,175)	(3,374,942)
<i>Total transfers</i>	<u>(1,435,575)</u>	<u>(1,784,184)</u>	<u>623,259</u>	<u>(2,596,500)</u>
<i>Change in net assets</i>	(453,487)	(791,005)	157,932	(1,086,560)
<i>Net assets - beginning of year</i>	<u>1,058,854</u>	<u>30,613,702</u>	<u>2,677,123</u>	<u>34,349,679</u>
<i>Net assets - end of year</i>	<u>\$ 605,367</u>	<u>\$ 29,822,697</u>	<u>\$ 2,835,055</u>	<u>\$ 33,263,119</u>

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

Governmental
 Activities-
 Internal
Service Funds

\$	-
	-
	-
	-
	-
	<u>3,923,759</u>
	<u>3,923,759</u>
	-
	729,075
	3,327,802
	120,348
	-
	<u>4,177,225</u>
	<u>(253,466)</u>
	-
	57,441
	-
	<u>57,441</u>
	<u>(196,025)</u>
	1,466,071
	-
	<u>1,466,071</u>
	1,270,046
	<u>1,723,260</u>
\$	<u><u>2,993,306</u></u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2007

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total</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	\$ 3,560,058	\$ 7,174,289	\$ 244,282	\$ 10,978,629
Receipts from interfund services provided	-	-	-	-
Operating grant	413,835	-	328,457	742,292
Payments to suppliers	(1,494,818)	(2,169,853)	(413,135)	(4,077,806)
Cash paid for interfund services used	-	-	-	-
Payments to employees	<u>(1,180,518)</u>	<u>(2,266,851)</u>	<u>(450,914)</u>	<u>(3,898,283)</u>
Net cash provided (used) operating activities	<u>1,298,557</u>	<u>2,737,585</u>	<u>(291,310)</u>	<u>3,744,832</u>
Cash flows from noncapital financing activities:				
Customer deposits, net	-	-	-	-
Receipts (payments) on interfund balances	-	(1,006,527)	-	(1,006,527)
Operating transfers in (out)	<u>(1,435,575)</u>	<u>(1,784,184)</u>	<u>623,259</u>	<u>(2,596,500)</u>
Net cash provided (used) by noncapital financing activities	<u>(1,435,575)</u>	<u>(2,790,711)</u>	<u>623,259</u>	<u>(3,603,027)</u>
Cash flows from capital and related financing activities:				
Acquisitions and construction of capital assets	(35,589)	(1,105,173)	(184,131)	(1,324,893)
Gross receipts taxes	475,850	-	-	475,850
Oil and gas taxes	-	10,720	-	10,720
Principal paid on capital debt	(50,721)	(905,000)	-	(955,721)
Interest paid on capital debt	(12,359)	(746,124)	-	(758,483)
Loan proceeds	-	-	-	-
Proceeds from sale of fixed assets	<u>1,680</u>	<u>6,104</u>	<u>-</u>	<u>7,784</u>
Net cash provided (used) by capital and related financing activities	<u>378,861</u>	<u>(2,739,473)</u>	<u>(184,131)</u>	<u>(2,544,743)</u>
Cash flows from investing activities:				
Interest income	66,965	531,395	-	598,360
Acquisition of new note receivable	-	-	-	-
Payments received on notes receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>66,965</u>	<u>531,395</u>	<u>-</u>	<u>598,360</u>
Net increase (decrease) in cash and temporary investments	<u>\$ 308,808</u>	<u>\$ (2,261,204)</u>	<u>\$ 147,818</u>	<u>\$ (1,804,578)</u>

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

Governmental
Activities
Internal
Service Funds

\$ 3,908,562
-
-
(4,210,525)
-

(301,963)

-
-
1,466,071
-
1,466,071

-
-
-
-
-

-

57,441
-
-

57,441

1,221,549

STATE OF NEW MEXICO
CITY OF CARLSBAD
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds			Total
	Solid Waste Disposal	Joint Water and Sewer	Nonmajor Enterprise Funds	
Net increase (decrease) in cash and temporary investments-from previous page	\$ 308,808	\$ (2,261,204)	\$ 147,818	\$ (1,804,578)
Cash and temporary investments-beginning of year	<u>1,501,024</u>	<u>12,714,904</u>	<u>115,063</u>	<u>14,330,991</u>
Cash and temporary investments-end of year	<u>\$ 1,809,832</u>	<u>\$ 10,453,700</u>	<u>\$ 262,881</u>	<u>\$ 12,526,413</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 925,802	\$ 1,225,001	\$ (465,327)	\$ 1,685,476
Adjustments to reconcile operating income to net cash provided by operating activities				
Taxes	(475,850)	(10,720)	-	(486,570)
Depreciation expense	240,168	1,373,789	159,615	1,773,572
Amortization expense	-	32,502	-	32,502
(Increase) decrease in:				
Accounts receivable	37,523	217,938	22,294	277,755
Inventories	-	(30,867)	-	(30,867)
(Decrease) increase in:				
Accounts payable	470	(140,432)	(5,190)	(145,152)
Accrued expenses	5,278	30,333	(2,702)	32,909
Deferred revenue	-	-	-	-
Estimated landfill postclosure liabilities	565,166	-	-	565,166
Refundable customer deposits	-	40,041	-	40,041
Net cash provided (used) by operating activities	<u>\$ 1,298,557</u>	<u>\$ 2,737,585</u>	<u>\$ (291,310)</u>	<u>\$ 3,744,832</u>
Cash and temporary investments:				
Cash and cash equivalents	\$ 893,415	\$ 6,610,306	\$ 262,881	\$ 7,766,602
Investments	855,000	3,100,000	-	3,955,000
Restricted assets - debt service	58,423	-	-	58,423
Restricted assets - capital acquisitions	2,994	396,117	-	399,111
Restricted assets - other purposes	-	347,277	-	347,277
Total cash and temporary investments	<u>\$ 1,809,832</u>	<u>\$ 10,453,700</u>	<u>\$ 262,881</u>	<u>\$ 12,526,413</u>

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

Governmental
Activities
Internal
Service Funds

\$ 1,221,549

1,716,596

\$ 2,938,145

\$ (253,466)

-

-

-

(15,197)

-

(33,300)

-

-

-

-

\$ (301,963)

\$ 1,738,145

-

-

-

1,200,000

\$ 2,938,145

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STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2007

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, 2007

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, 2007

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 funds:

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.

National Cave-Karst Institute Capital Projects Fund - 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.

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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2007

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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, 2007

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, 2007

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, 2007

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, 2007

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. Significant estimates included in the City's financial statements are the estimated useful lives of capital assets and the estimated closure and post closure care costs of the landfill.

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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2007

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

The appropriated budget for the year ended June 30, 2007 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	\$ <u>(1,830,279)</u>	\$ <u>(2,157,312)</u>
National Cave Karst Institute	\$ <u>(1,650,000)</u>	\$ <u>(1,650,000)</u>
Nonmajor governmental funds	\$ <u>(4,859,269)</u>	\$ <u>(9,471,587)</u>
Solid Waste Disposal	\$ <u>1,537,046</u>	\$ <u>1,537,046</u>
Joint Water and Sewer	\$ <u>(843,730)</u>	\$ <u>(1,007,181)</u>
Nonmajor proprietary funds	\$ <u>(503,520)</u>	\$ <u>(509,784)</u>

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	National Cave-Karst Institute	Nonmajor Governmental Fund
Excess (deficiency) of revenues over expenditures (GAAP Basis)	\$ 2,327,306	\$ -	\$ (867,219)
Adjustments:			
Receivables	(269,244)	-	(710,961)
Accounts payable	(33,580)	-	(161,715)
Accrued expenses	27,928	-	4,716
Deferred revenue	(21,915)	-	-
Transfers	(2,945)	-	(1,235,010)
Other	-	-	2
Excess (deficiency) of revenues over expenditures (Budget Basis)	\$ <u>2,027,550</u>	\$ <u>-</u>	\$ <u>(2,970,187)</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2007

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 proprietary fund financial statements:

	<u>Solid Waste Disposal</u>	<u>Joint Water and Sewer</u>	<u>Nonmajor Enterprise Funds</u>
Income before transfers (GAAP Basis)	\$ 982,088	\$ 993,179	\$ (465,327)
Adjustments:			
Receivables	37,523	217,938	22,294
Inventory	-	(237,688)	-
Capital assets	204,579	1,351,363	159,614
Accounts payable	470	(50,309)	(5,026)
Accrued expenses	5,278	8,360	(2,843)
Bond Discount	-	32,502	-
Notes payable	(50,721)	(905,000)	-
Landfill Post Closure	565,166	-	-
Sale of assets	(1,680)	(6,104)	-
Other	-	-	2
	<u> </u>	<u> </u>	<u> </u>
Excess (deficiency) of revenues over expenditures (Budget Basis)	\$ <u>1,742,703</u>	\$ <u>1,404,241</u>	\$ <u>(291,286)</u>

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

	<u>Internal Service Funds</u>
Income (loss) before transfers (GAAP Basis)	\$ (196,025)
Adjustments:	
Receivables	(15,196)
Accounts payable	<u>(33,300)</u>
Excess (deficiency) of revenues over expenditures (Budget Basis)	\$ <u>(244,521)</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2007

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, 2007.

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.

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, 2007 \$23,141,702 of the City's bank balances were exposed to custodial credit risk as follows:

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2007

NOTE 3. Deposits and Investments (continued)

Custodial Credit Risk – Deposits (continued)

	Carlsbad National Bank	Pioneer Bank	Wells Fargo Bank	Western Commerce	Total
Year ended June 30, 2007					
Total amount of deposits	\$ 3,835,538	\$ 1,600,000	\$ 12,607,919	\$ 5,798,245	\$ 23,841,702
FDIC Coverage	(200,000)	(100,000)	(200,000)	(200,000)	(700,000)
Uncollected funds	-	-	(886,149)	-	(886,149)
Total uninsured public funds	3,635,538	1,500,000	11,521,770	5,598,245	22,255,553
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the City's name	3,635,538	994,003	6,191,770	4,329,964	15,151,275
Uninsured and uncollateralized	\$ -	\$ 505,997	\$ 5,330,000	\$ 1,268,281	\$ 7,104,278
Collateral requirement (50% of uninsured public funds)	\$ 1,817,769	\$ 750,000	\$ 5,760,885	\$ 2,799,123	\$ 11,127,778
Pledged securities	3,989,918	994,003	6,191,770	4,329,964	15,505,655
Over (under) collateralization	\$ 2,172,149	\$ 244,003	\$ 430,885	\$ 1,530,841	\$ 4,377,878

The New MexiGROW Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary. Collateral pledged to secure State Treasurer cash and investments is reported in the State Treasurer's separately issued financial statements.

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, 2007, 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, 2007

NOTE 3. Deposits and Investments (continued)

Custodial Credit Risk – Investments (continued)

	Wells Fargo Bank	Bank of Albuquerque	NMFA State Treasurer's Debt Service	Total
Year ended June 30, 2007				
Investments held in the City's name by a custodial bank that is an agent of the City:				
U. S. Government Agency Securities	\$ 6,309,114	\$ -	\$ -	\$ 6,309,114
Investment in US Treasury Mutual Fund #0052	-	1,533,381	-	1,533,381
Debt service reserve account held at New Mexico Finance Authority (NMFA) State Treasurer's debt service fund	-	-	64,229	64,229
Total investments subject to custodial credit risk	<u>\$ 6,309,114</u>	<u>\$ 1,533,381</u>	<u>\$ 64,229</u>	<u>\$ 7,906,724</u>

Credit Risk

As of June 30, 2007, the City's investments were rated as follows:

Investment Type	Rating
U. S. Government Obligations:	
US Treasury Notes	AAA
US Treasury Mutual Fund #0052	No rating
State Treasurer's Debt Service Fund	No rating

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, 2007 include the following:

Investment Type	Maturity	Fair Value
U. S. Government Obligations:		
US Treasury Notes	1-5 Years	\$6,309,114
US Treasury Mutual Fund #0042	< 90 days	1,533,381
State Treasurer's Debt Service Fund	< 90 days	64,229

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2007

NOTE 3. Deposits and Investments (continued)

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:

	2007
Carrying amount:	
Deposits	\$ 23,841,702
Investments	7,906,724
	31,748,426
Reconciling items	(1,336,765)
	30,411,661
Petty cash change funds	2,757
	\$ 30,414,418
Included in the following Statement of Net Assets captions:	
Cash and cash equivalents	\$ 14,522,694
Investments	14,294,114
Restricted cash and investments	1,597,610
	\$ 30,414,418

NOTE 4. Receivables and Payables

Receivables as of June 30, 2007, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Non-Major Funds	Proprietary Funds	Total
Governmental Activities:				
State of New Mexico				
Gross receipts taxes				
Municipal	\$ 1,402,464	\$ -	\$ -	\$ 1,402,464
Infrastructure	137,050	137,050	-	274,100
1.35%	1,401,793	-	-	1,401,793
Beautification grant	-	16,064	-	16,064
Battered Family Shelter	-	515,617	-	515,617
Pro Shop	-	5,750	-	5,750
Museum equipment	-	7,691	-	7,691
St. Francis Hospital	-	46,188	-	46,188
Economic development	-	152,527	-	152,527
Gasoline tax	-	68,568	-	68,568
County property taxes	102,300	-	-	102,300
Franchise taxes	162,895	-	-	162,895
Accrued interest	85,368	525	-	85,893
Other	4,147	-	-	4,147
Total Governmental Activities	3,296,017	949,980	-	4,245,997

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2007

NOTE 4. Receivables and Payables (continued)

	General Fund	Non-Major Funds	Proprietary Funds	Total
Business Type Activities:				
Gross receipts taxes	-	-	38,132	38,132
Refunds and reimbursements	-	-	32,242	32,242
Accrued interest	-	-	208,496	208,496
	<u>-</u>	<u>-</u>	<u>278,870</u>	<u>278,870</u>
Receivable from customers				
Solid waste	-	-	262,136	262,136
Water and sewer	-	-	476,140	476,140
Unbilled receivables	-	-	260,907	260,907
Allowance for uncollectible amounts	-	-	(116,654)	(116,654)
Subtotal	<u>-</u>	<u>-</u>	<u>882,529</u>	<u>882,529</u>
Total Business Type Activities	<u>-</u>	<u>-</u>	<u>1,161,399</u>	<u>1,161,399</u>
Total Accounts Receivable	<u>\$ 3,296,017</u>	<u>\$ 949,980</u>	<u>\$ 1,161,399</u>	<u>\$ 5,407,396</u>

Payables as of June 30, 2007, are as follows:

	Governmental Activities	Business-type Activities	Total
Suppliers and service providers	\$ 185,729	\$ 94,489	\$ 280,218
Capital assets	294,381	-	294,381
Payable to and on behalf of employees	573,511	124,970	698,481
Interest payable	114,808	58,219	173,027
Customer deposits	-	761,077	761,077
	<u>\$ 1,168,429</u>	<u>\$ 1,038,755</u>	<u>\$ 2,207,184</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.

Due to	Due from	Amount
Joint Water and Sewer	State Legislative	\$ 950,845
Joint Water and Sewer	Sports Complex	619,219
		<u>\$ 1,570,064</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2007

NOTE 5. Interfund Receivables, Payables, and Transfers (continued)

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, 2007 is as follows:

Transfer in	Transfer out	Amount
	Landfill Closure and Solid Waste	
General Fund	Disposal	\$ 945,133
General Fund	Joint Water and Sewer	1,937,739
Computer Lease Equipment	General Fund	70,660
Computer Lease Equipment	Municipal Transit	3,175
Computer Lease Equipment	Performing Arts Centre	705
Computer Lease Equipment	Fire Protection	11,000
Computer Lease Equipment	Recreation	705
	Landfill Closure and Solid Waste	
Computer Lease Equipment	Disposal	2,234
Computer Lease Equipment	Law Enforcement Protection	31,744
Computer Lease Equipment	Joint Water and Sewer	8,348
Municipal Transit	General Fund	258,292
Performing Arts Centre	General Fund	24,105
Performing Arts Centre	Lodger's Tax	100,000
Performing Arts Centre	State Legislative	53,922
Recreation	General Fund	243,904
Cemetery	General Fund	79,532
Cemetery	State Legislative	1,939
Worker's Compensation	General Fund	200,000
	Landfill Closure and Solid Waste	
Worker's Compensation	Disposal	200,000
Worker's Compensation	Joint Water and Sewer	200,000
General Insurance	General Fund	240,500
General Insurance	Municipal Transit	16,000
	Landfill Closure and Solid Waste	
General Insurance	Disposal	240,500
General Insurance	Joint Water and Sewer	240,500
Local Government Correction	General Fund	133,000
Sandpoint Landfill	Solid Waste Disposal	47,708
Sewer System Improvement	Joint Water and Sewer	315,289
Water System Improvement	Joint Water and Sewer	57,147
Street System Improvement	General Fund	251,792
2002 Sales Tax Revenue Bond	General Fund	367,263
CDBG	Street Improvement	13,220
CDBG	WIPP Acceleration Impact	33,994
		<u>\$ 6,330,050</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2007

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2007 follows:

	<u>Balance</u> <u>6/30/2006</u>	<u>Additions and</u> <u>Transfers</u>	<u>Deletions and</u> <u>Transfers</u>	<u>Balance</u> <u>6/30/2007</u>
Governmental activities:				
Non-depreciable assets:				
Land and water rights	\$ 1,927,816	\$ 7,286	\$ 925	\$ 1,934,177
Construction in progress	<u>544,843</u>	<u>1,450,902</u>	<u>544,843</u>	<u>1,450,902</u>
	<u>2,472,659</u>	<u>1,458,188</u>	<u>545,768</u>	<u>3,385,079</u>
Depreciable assets:				
Structures and improvements	34,659,257	4,588,403	-	39,247,660
Less accumulated depreciation	<u>15,070,620</u>	<u>800,497</u>	<u>-</u>	<u>15,871,117</u>
	<u>19,588,637</u>	<u>3,787,906</u>	<u>-</u>	<u>23,376,543</u>
Equipment and software	11,599,866	639,118	27,197	12,211,787
Less accumulated depreciation	<u>7,714,002</u>	<u>802,890</u>	<u>-</u>	<u>8,516,892</u>
	<u>3,885,864</u>	<u>(163,772)</u>	<u>27,197</u>	<u>3,694,895</u>
Infrastructure	27,495,569	1,868,727	3,149	29,361,147
Less accumulated depreciation	<u>10,636,125</u>	<u>7,760,691</u>	<u>-</u>	<u>18,396,816</u>
	<u>16,859,444</u>	<u>(5,891,964)</u>	<u>3,149</u>	<u>10,964,331</u>
Governmental activities capital assets (net)	<u>\$ 42,806,604</u>	<u>\$ (809,642)</u>	<u>\$ 576,114</u>	<u>\$ 41,420,848</u>

Certain reclassifications of amounts previously reported not affecting the overall balance of capital assets were made within the above asset categories.

Depreciation expense was charged to governmental activities as follows:

General government	\$ 1,339,062
Public safety	4,344,933
Public works	1,797,903
Culture and recreation	1,315,653
Economic development	92,704
Public health and welfare	<u>473,823</u>
Total depreciation expense	<u>\$ 9,364,078</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2007

NOTE 6. Capital Assets (continued)

	<u>Balance</u> 6/30/2006	<u>Additions and</u> <u>Transfers</u>	<u>Deletions and</u> <u>Transfers</u>	<u>Balance</u> 6/30/2007
Business-type activities:				
Non-depreciable assets:				
Land and water rights	\$ 1,623,960	\$ -	\$ -	\$ 1,623,960
Construction in progress	319,935	-	319,935	-
	<u>1,943,895</u>	<u>-</u>	<u>319,935</u>	<u>1,623,960</u>
Depreciable assets:				
Utility property and structures	52,335,039	1,648,175	275,036	53,708,178
Less accumulated depreciation	20,486,182	1,222,353	212,124	21,496,411
	<u>31,848,857</u>	<u>425,822</u>	<u>62,912</u>	<u>32,211,767</u>
Equipment and software	7,868,301	-	26,591	7,841,710
Less accumulated depreciation	5,021,548	551,147	62,912	5,509,783
	<u>2,846,753</u>	<u>(551,147)</u>	<u>(36,321)</u>	<u>2,331,927</u>
Business-type capital assets (net)	<u>\$ 36,639,505</u>	<u>\$ (125,325)</u>	<u>\$ 346,526</u>	<u>\$ 36,167,654</u>

Capital assets, net of accumulated depreciation, at June 30, 2007 appear in the Statement of Net Assets as follows:

Governmental activities		
Land, water rights and construction in progress		\$ 1,934,177
Other assets, net of accumulated depreciation		39,486,671
Business type activities:		
Land, water rights and construction in progress		1,623,960
Other assets, net of accumulated depreciation		34,543,694
		<u>\$ 77,588,502</u>

NOTE 7. Long-term Debt

Governmental activities bonds and notes payable at June 30, 2007 are comprised of the following:

	Sales Tax Revenue Bonds Series 2002
	<hr/>
Original issue:	October 1
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, 2007

NOTE 7. Long-Term Debt (continued)

The annual requirements to amortize the 2002 Bond Issue outstanding as of June 30, 2007, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	255,000	90,705	345,705
2013-2017	1,135,000	238,180	1,373,180
2018-2022	650,000	32,009	682,009
Total	<u>\$ 3,040,000</u>	<u>\$ 833,184</u>	<u>\$ 3,873,184</u>

The notes payable as of June 30, 2007 are comprised of the following:

1.29-3.85% 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.

\$	902,105
Less current portion	<u>57,721</u>
\$	<u>844,384</u>

The annual requirements to amortize the loan outstanding as of June 30, 2007, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 57,721	\$ 30,568	\$ 88,289
2009	58,980	29,310	88,290
2010	60,442	27,852	88,294
2011	62,108	26,190	88,298
2012	63,947	24,356	88,303
2013-2017	353,602	87,990	441,592
2018-2020	245,305	19,728	265,033
Total	<u>\$ 902,105</u>	<u>\$ 245,994</u>	<u>\$ 1,148,099</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2007

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.	\$ 2,653,084
Less current portion	<u>350,204</u>
	<u>\$ 2,302,880</u>

The annual requirements to amortize the loan outstanding as of June 30, 2007, including interest payments is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 350,204	\$ 78,028	\$ 428,232
2009	357,788	70,466	428,254
2010	366,612	61,662	428,274
2011	376,608	51,690	428,298
2012	387,822	40,506	428,328
2013-2017	<u>814,050</u>	<u>42,702</u>	<u>856,752</u>
Total	<u>\$ 2,653,084</u>	<u>\$ 345,054</u>	<u>\$ 2,998,138</u>

Proprietary funds bonds payable at June 30, 2007 are comprised of the following:

	Joint Water & Sewer Refunding & Improvement Revenue Bonds Series 1998
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, 2007

NOTE 7. Long-Term Debt (continued)

The annual requirements to amortize the 1998 Bond Issue outstanding as of June 30, 2007, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	1,125,000	501,940	1,626,940
2013-2017	5,040,000	1,457,666	6,497,666
2018-2022	4,450,000	429,400	4,879,400
Total	\$ 14,655,000	\$ 4,851,314	\$ 19,506,314

The note payable of the proprietary funds as of June 30, 2007 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.	\$ 400,397
Less current portion	<u>51,978</u>
	<u>\$ 348,419</u>

The annual requirements to amortize the loan outstanding as of June 30, 2007, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 51,978	\$ 13,612	\$ 65,590
2009	53,441	12,154	65,595
2010	55,085	10,512	65,597
2011	56,885	8,718	65,603
2012	58,841	6,766	65,607
2013-2017	124,167	7,060	131,227
Total	\$ 400,397	\$ 58,822	\$ 459,219

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2007

NOTE 7. Long-Term Debt (continued)

Change in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 3,265,000	\$ -	\$ 225,000	\$ 3,040,000	\$ 230,000
NMFA notes payable:					
Sports Complex	2,996,979	-	343,895	2,653,084	350,204
Fire Protection	958,758	-	56,653	902,105	57,721
Compensated absences	745,108	1,068,227	745,108	1,068,227	163,983
	<u>\$ 7,965,845</u>	<u>\$ 1,068,227</u>	<u>\$ 1,370,656</u>	<u>\$ 7,663,416</u>	<u>\$ 801,908</u>
Business-type activities:					
Revenue bonds:					
Governmental Gross					
Receipts Tax	\$ -	\$ -	\$ -	\$ -	\$ -
Joint Water and Sewer					
Refunding and Improvement	15,560,000	-	905,000	14,655,000	950,000
NMFA note payable	451,118	-	50,721	400,397	51,978
Landfill closure and					
Postclosure	1,960,339	565,166	-	2,525,505	-
Compensated absences	101,866	135,574	101,866	135,574	27,981
	<u>\$ 18,073,323</u>	<u>\$ 700,740</u>	<u>\$ 1,057,587</u>	<u>\$ 17,716,476</u>	<u>\$ 1,029,959</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, 2007

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, 2007, 2006 and 2005 were approximately \$1,571,739, \$1,529,545, and \$1,460,142, 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, 2007, 2006, and 2005 were approximately \$1,750,664, \$1,706,171, and \$1,636,014, 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 \$3,835,538 as of June 30, 2007.

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2007

NOTE 11. Post Employment Benefits

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 of 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, 2007, 2006, and 2005, City of Carlsbad remitted \$160,195, \$156,256, and \$150,044 in employer contributions and \$80,896, \$78,113, and \$75,015 in employee contributions, respectively, to the Retiree Health Care Authority.

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2007

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, 2007, 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.

Due to the results of a lawsuit brought by the firefighters union of Carlsbad, the City of Carlsbad has agreed to pay city firefighters back pay for time served. As a result, the City is estimating the total amount of the settlement to be in the range of \$600,000 – \$700,000. Due to the ongoing appeals process, which will affect the outcome of the settlement, the City is unable to make a reasonable estimate of the amount to be incurred. Accordingly, no liability has been recorded as of June 30, 2007.

NOTE 13. Deficit Fund Balances and Excess of Expenditures Over Appropriations

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

A. Deficit fund balance of individual funds

State Legislative	\$ 461,035
Federal Projects	200,824

B. Excess of expenditures over appropriations

None

C. Designated cash appropriation in excess of available balances. The following funds exceeded approved budgetary authority for the year ended June 30, 2007.

Airport	\$ 971,833
Special Police Program	7,614
Street System Improvement	4,607
Community Development	14,510

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2007

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, 2007, 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, 2007. 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:

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 1,589,085 cubic gate yards)	
as a % of total capacity (5,574,000 cubic gate yards)	28.51%
Estimated closure and postclosure care costs	\$ 5,051,010
Prior liability recognized	<u>3,920,678</u>
Total current year liability	<u>1,130,332</u>
	50%
City of Carlsbad portion	565,166
Prior year liability recognized	<u>1,960,339</u>
 Estimated liability for the year ended June 30, 2007	 <u><u>\$ 2,525,505</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, 2007 related to land and buildings held as rental property under operating leases is included in depreciation expense of the General Government.

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2007

NOTE 16. Subsequent Accounting Standard Pronouncements

In April, 2004, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 43, *Financial Reporting for Postemployment 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, 2005. The Statement establishes uniform financial reporting standards for other post employment benefit plans and supersedes the interim guidance included in Statement No. 26. The City incorporated this statement for the current fiscal year, and believes it had no significant effect on the financial statements for the year.

In June 2004, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is effective for financial statements for periods beginning after December 15, 2006, with earlier application encouraged. This 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 for the upcoming year.

In September, 2006 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which is effective for all periods beginning after December 31, 2006. The statement establishes standards for reporting and disclosure of transactions involving the sale of a receivable or future revenue stream. Depending on the continuing involvement of the government, the sale could be recorded as a sale or as collateralized borrowing. 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 on the upcoming year.

In November, 2006 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 49, *Accounting and financial reporting for Pollution Remediation Obligations*, which is effective for periods beginning after December 15, 2007. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. 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 on the upcoming years.

STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
June 30, 2007

NOTE 16. Subsequent Accounting Standard Pronouncements (continued)

In May, 2007 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 50, *Pension Disclosures*-an amendment of GASB Statements No. 25 and No. 27, which is effective for periods beginning after June 15, 2007. This Statement more closely aligns the financial reporting requirements for pensions with those other post employment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, No. 27, *Accounting for Pensions by State and Local Government Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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 on the upcoming year.

In June, 2007 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which is effective for periods beginning after June 15, 2009. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. 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 on the upcoming years.

NONMAJOR FUNDS

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STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR FUNDS
June 30, 2007

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, 2007

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.

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.

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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR FUNDS
June 30, 2007

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, 2007

SPECIAL REVENUE FUNDS

	<u>E-911 Fund</u>	<u>Narcotics Forfeiture</u>	<u>Home Program</u>	<u>Fire Protection</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 5,703	\$ -	\$ 778	\$ 3,800
Investments	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Interest	-	-	-	-
Interfund receivable	-	-	-	-
	<u>5,703</u>	<u>-</u>	<u>778</u>	<u>3,800</u>
<i>Total current assets</i>				
	<u>5,703</u>	<u>-</u>	<u>778</u>	<u>3,800</u>
<i>Restricted assets</i>				
Debt service	-	-	-	5,403
Capital acquisitions	-	-	-	88,942
	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,345</u>
<i>Total restricted assets</i>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,345</u>
<i>Total assets</i>	<u>\$ 5,703</u>	<u>\$ -</u>	<u>\$ 778</u>	<u>\$ 98,145</u>
<i>Liabilities and Fund Balance</i>				
<i>Current liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,313
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>1,313</u>
<i>Fund balance</i>				
Reserved for debt service	-	-	-	5,403
Reserved for capital acquisition	-	-	-	88,942
Unreserved:				
Undesignated				
Special revenue funds	5,703	-	778	2,487
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
	<u>5,703</u>	<u>-</u>	<u>778</u>	<u>96,832</u>
<i>Total fund balance</i>				
	<u>5,703</u>	<u>-</u>	<u>778</u>	<u>96,832</u>
<i>Total liabilities and fund balance</i>	<u>\$ 5,703</u>	<u>\$ -</u>	<u>\$ 778</u>	<u>\$ 98,145</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
\$ 54,822	\$ 136,723	\$ 20,727	\$ -	\$ 74,899	\$ 13,110
-	30,000	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	525	-	-	-	-
-	-	-	-	-	-
<u>54,822</u>	<u>167,248</u>	<u>20,727</u>	<u>-</u>	<u>74,899</u>	<u>13,110</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 54,822</u>	<u>\$ 167,248</u>	<u>\$ 20,727</u>	<u>\$ -</u>	<u>\$ 74,899</u>	<u>\$ 13,110</u>
\$ 1,369	\$ 28,910	\$ -	\$ -	\$ -	\$ -
6,936	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>8,305</u>	<u>28,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
46,517	138,338	20,727	-	74,899	13,110
-	-	-	-	-	-
-	-	-	-	-	-
<u>46,517</u>	<u>138,338</u>	<u>20,727</u>	<u>-</u>	<u>74,899</u>	<u>13,110</u>
<u>\$ 54,822</u>	<u>\$ 167,248</u>	<u>\$ 20,727</u>	<u>\$ -</u>	<u>\$ 74,899</u>	<u>\$ 13,110</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2007

SPECIAL REVENUE FUNDS

	Law Enforcement Protection	Retired Senior Volunteer Program	Sports Complex	WIPP Acceleration Impact
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 10,708	\$ -	\$ 1,197,226
Investments	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Interest	-	-	-	-
Interfund receivable	-	-	-	-
<i>Total current assets</i>	<u>-</u>	<u>10,708</u>	<u>-</u>	<u>1,197,226</u>
<i>Restricted assets</i>				
Debt service	-	-	-	-
Capital acquisitions	-	-	1,150,490	-
<i>Total restricted assets</i>	<u>-</u>	<u>-</u>	<u>1,150,490</u>	<u>-</u>
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 10,708</u>	<u>\$ 1,150,490</u>	<u>\$ 1,197,226</u>
<i>Liabilities and Fund Balance</i>				
<i>Current liabilities</i>				
Accounts payable	\$ -	\$ -	\$ 17,984	\$ 59,491
Accrued expenses	-	-	-	-
Interfund payable	-	-	619,219	-
Deferred revenue	-	-	-	-
<i>Total current liabilities</i>	<u>-</u>	<u>-</u>	<u>637,203</u>	<u>59,491</u>
<i>Fund balance</i>				
Reserved for debt service	-	-	-	-
Reserved for capital acquisition	-	-	1,150,490	-
Unreserved:				
Undesignated				
Special revenue funds	-	10,708	(637,203)	1,137,735
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
<i>Total fund balance</i>	<u>-</u>	<u>10,708</u>	<u>513,287</u>	<u>1,137,735</u>
<i>Total liabilities and fund balance</i>	<u>\$ -</u>	<u>\$ 10,708</u>	<u>\$ 1,150,490</u>	<u>\$ 1,197,226</u>

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

CAPITAL PROJECTS FUNDS

<u>Project Impact</u>	<u>Park Improvement</u>	<u>Sewer System Improvement</u>	<u>Water System Improvement</u>	<u>Street System Improvement</u>	<u>State Legislative</u>
\$ 25,679	\$ 75,495	\$ 67,510	\$ 3,285	\$ 71,485	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	84,632	-
-	-	-	-	-	575,246
-	-	-	-	-	-
-	-	-	-	-	-
<u>25,679</u>	<u>75,495</u>	<u>67,510</u>	<u>3,285</u>	<u>156,117</u>	<u>575,246</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 25,679</u>	<u>\$ 75,495</u>	<u>\$ 67,510</u>	<u>\$ 3,285</u>	<u>\$ 156,117</u>	<u>\$ 575,246</u>
\$ -	\$ -	\$ -	\$ -	\$ 77,860	\$ 85,436
-	-	-	-	-	-
-	-	-	-	-	950,845
-	-	-	-	-	-
-	-	-	-	77,860	1,036,281
-	-	-	-	-	-
-	-	-	-	-	-
25,679	75,495	67,510	3,285	78,257	(461,035)
-	-	-	-	-	-
<u>25,679</u>	<u>75,495</u>	<u>67,510</u>	<u>3,285</u>	<u>78,257</u>	<u>(461,035)</u>
<u>\$ 25,679</u>	<u>\$ 75,495</u>	<u>\$ 67,510</u>	<u>\$ 3,285</u>	<u>\$ 156,117</u>	<u>\$ 575,246</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2007

CAPITAL PROJECTS FUNDS

	<u>CIEP</u>	<u>2002 Bond Acquisition</u>	<u>Old Landfill Closure</u>	<u>Sandpoint Landfill</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 237,171	\$ 5,250	\$ 37,757	\$ -
Investments	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Intergovernmental	152,527	-	-	-
Interest	-	-	-	-
Interfund receivable	-	-	-	-
<i>Total current assets</i>	<u>389,698</u>	<u>5,250</u>	<u>37,757</u>	<u>-</u>
<i>Restricted assets</i>				
Debt service	-	-	-	-
Capital acquisitions	-	-	-	-
<i>Total restricted assets</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total assets</i>	<u>\$ 389,698</u>	<u>\$ 5,250</u>	<u>\$ 37,757</u>	<u>\$ -</u>
<i>Liabilities and Fund Balance</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 42,491	\$ -	\$ 8,709	\$ -
Accrued expenses	-	-	-	-
Interfund payable	-	-	-	-
Deferred revenue	-	-	-	-
<i>Total current liabilities</i>	<u>42,491</u>	<u>-</u>	<u>8,709</u>	<u>-</u>
<i>Fund balance</i>				
Reserved for debt service	-	-	-	-
Reserved for capital acquisition	-	-	-	-
Unreserved:				
Undesignated				
Special revenue funds	-	-	-	-
Capital projects funds	347,207	5,250	29,048	-
Debt service funds	-	-	-	-
<i>Total fund balance</i>	<u>347,207</u>	<u>5,250</u>	<u>29,048</u>	<u>-</u>
<i>Total liabilities and fund balance</i>	<u>\$ 389,698</u>	<u>\$ 5,250</u>	<u>\$ 37,757</u>	<u>\$ -</u>

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

<u>CAPITAL PROJECTS FUNDS</u>		<u>DEBT SERVICE FUNDS</u>		
<u>Community Development</u>	<u>Federal Projects</u>	<u>Sports Complex Debt Service</u>	<u>2002 Sales Tax Bonds</u>	<u>Total</u>
\$ -	\$ 4,614	\$ 851,942	\$ 18,742	\$ 2,917,426
-	-	-	-	30,000
-	-	-	-	-
-	-	137,050	-	221,682
-	-	-	-	727,773
-	-	-	-	525
-	-	-	-	-
<u>-</u>	<u>4,614</u>	<u>988,992</u>	<u>18,742</u>	<u>3,897,406</u>
-	-	291,358	-	296,761
-	-	-	-	1,239,432
<u>-</u>	<u>-</u>	<u>291,358</u>	<u>-</u>	<u>1,536,193</u>
<u>\$ -</u>	<u>\$ 4,614</u>	<u>\$ 1,280,350</u>	<u>\$ 18,742</u>	<u>\$ 5,433,599</u>
\$ -	\$ 205,438	\$ 54,458	\$ -	\$ 583,459
-	-	3,235	-	10,171
-	-	-	-	1,570,064
-	-	-	-	-
<u>-</u>	<u>205,438</u>	<u>57,693</u>	<u>-</u>	<u>2,163,694</u>
-	-	291,358	-	296,761
-	-	-	-	1,239,432
-	-	-	-	813,799
-	(200,824)	-	-	(30,128)
-	-	931,299	18,742	950,041
<u>-</u>	<u>(200,824)</u>	<u>1,222,657</u>	<u>18,742</u>	<u>3,269,905</u>
<u>\$ -</u>	<u>\$ 4,614</u>	<u>\$ 1,280,350</u>	<u>\$ 18,742</u>	<u>\$ 5,433,599</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, 2007

SPECIAL REVENUE FUNDS

	<u>E-911 Fund</u>	<u>Narcotics Forfeiture</u>	<u>Home Program</u>	<u>Fire Protection</u>
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Lodging taxes	-	-	-	-
Cigarette tax	-	-	-	-
Intergovernmental				
Federal grants	16,936	-	15,149	-
State grants	-	-	-	280,032
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Miscellaneous	-	-	-	-
Investment income	-	-	-	8,720
<i>Total revenues</i>	<u>16,936</u>	<u>-</u>	<u>15,149</u>	<u>288,752</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	16,936	60	-	169,977
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	968	-
Economic development	-	-	-	-
Capital outlay	-	-	13,827	44,028
Debt service:				
Principal	-	-	-	56,653
Interest	-	-	-	31,632
<i>Total expenditures</i>	<u>16,936</u>	<u>60</u>	<u>14,795</u>	<u>302,290</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(60)</u>	<u>354</u>	<u>(13,538)</u>
<i>Other financing sources (uses):</i>				
Sale of assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	(11,000)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,000)</u>
<i>Net change in fund balances</i>	-	(60)	354	(24,538)
<i>Fund balance - beginning of year</i>	<u>5,703</u>	<u>60</u>	<u>424</u>	<u>121,370</u>
<i>Fund balance - end of year</i>	<u>\$ 5,703</u>	<u>\$ -</u>	<u>\$ 778</u>	<u>\$ 96,832</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	490,359	-	-	-	-
23,955	-	-	-	-	-
-	-	335,058	-	-	-
-	-	9,193	20,000	-	16,087
15,379	-	11,158	-	168,994	-
-	-	-	-	-	-
-	3,542	19,247	-	-	4,745
-	1,458	-	-	-	-
<u>39,334</u>	<u>495,359</u>	<u>374,656</u>	<u>20,000</u>	<u>168,994</u>	<u>20,832</u>
-	-	-	-	-	-
-	-	-	12,710	212,218	9,117
-	-	109,546	-	-	-
237,003	379,722	-	-	-	-
-	-	-	-	-	-
929	-	319,098	7,290	-	6,936
-	-	-	-	-	-
<u>237,932</u>	<u>379,722</u>	<u>428,644</u>	<u>20,000</u>	<u>212,218</u>	<u>16,053</u>
<u>(198,598)</u>	<u>115,637</u>	<u>(53,988)</u>	<u>-</u>	<u>(43,224)</u>	<u>4,779</u>
-	-	-	-	-	-
243,904	-	-	-	133,000	-
(705)	(100,000)	-	-	-	-
<u>243,199</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>133,000</u>	<u>-</u>
44,601	15,637	(53,988)	-	89,776	4,779
1,916	122,701	74,715	-	(14,877)	8,331
<u>\$ 46,517</u>	<u>\$ 138,338</u>	<u>\$ 20,727</u>	<u>\$ -</u>	<u>\$ 74,899</u>	<u>\$ 13,110</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, 2007

SPECIAL REVENUE FUNDS

	Law Enforcement Protection	Retired Senior Volunteer Program	Sports Complex	WIPP Acceleration Impact
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Lodging taxes	-	-	-	-
Cigarette tax	-	-	-	-
Intergovernmental				
Federal grants	-	40,000	-	3,291,173
State grants	61,200	10,382	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Miscellaneous	-	-	41,700	-
Investment income	-	-	88,953	-
<i>Total revenues</i>	<u>61,200</u>	<u>50,382</u>	<u>130,653</u>	<u>3,291,173</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	26,557	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	36,841	-
Public health and welfare	-	50,637	-	-
Economic development	-	-	-	673,288
Capital outlay	2,899	-	1,221,010	1,449,192
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>29,456</u>	<u>50,637</u>	<u>1,257,851</u>	<u>2,122,480</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>31,744</u>	<u>(255)</u>	<u>(1,127,198)</u>	<u>1,168,693</u>
<i>Other financing sources (uses):</i>				
Sale of assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	(31,744)	-	-	(899,434)
<i>Total other financing sources (uses)</i>	<u>(31,744)</u>	<u>-</u>	<u>-</u>	<u>(899,434)</u>
<i>Net change in fund balances</i>	-	(255)	(1,127,198)	269,259
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>10,963</u>	<u>1,640,485</u>	<u>868,476</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ 10,708</u>	<u>\$ 513,287</u>	<u>\$ 1,137,735</u>

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

CAPITAL PROJECTS FUNDS

<u>Project Impact</u>	<u>Park Improvement</u>	<u>Sewer System Improvement</u>	<u>Water System Improvement</u>	<u>Street System Improvement</u>	<u>State Legislative</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	438,129	-
-	-	-	-	-	-
-	750	-	226,548	126,228	602,945
-	15,159	-	-	151,019	1,709,610
-	4,250	-	-	-	-
-	-	-	-	70,332	-
-	-	-	-	1,130	-
-	44	-	44	44	-
-	<u>20,203</u>	-	<u>226,592</u>	<u>786,882</u>	<u>2,312,555</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	100,837	35,888	520,793	-
-	24,000	-	-	-	14,084
-	-	-	-	-	32,487
-	-	-	-	-	-
9,011	-	1,330	33,807	521,021	2,232,514
-	-	-	-	-	-
-	-	-	-	-	-
<u>9,011</u>	<u>24,000</u>	<u>102,167</u>	<u>69,695</u>	<u>1,041,814</u>	<u>2,279,085</u>
<u>(9,011)</u>	<u>(3,797)</u>	<u>(102,167)</u>	<u>156,897</u>	<u>(254,932)</u>	<u>33,470</u>
-	-	-	-	620	-
-	-	315,289	57,147	238,734	(38,725)
-	-	-	(109,399)	(162)	(136,735)
-	-	<u>315,289</u>	<u>(52,252)</u>	<u>239,192</u>	<u>(175,460)</u>
(9,011)	(3,797)	213,122	104,645	(15,740)	(141,990)
<u>34,690</u>	<u>79,292</u>	<u>(145,612)</u>	<u>(101,360)</u>	<u>93,997</u>	<u>(319,045)</u>
<u>\$ 25,679</u>	<u>\$ 75,495</u>	<u>\$ 67,510</u>	<u>\$ 3,285</u>	<u>\$ 78,257</u>	<u>\$ (461,035)</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, 2007

CAPITAL PROJECTS FUNDS

	<u>CIEP</u>	<u>2002 Bond Acquisition</u>	<u>Old Landfill Closure</u>	<u>Sandpoint Landfill</u>
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Lodging taxes	-	-	-	-
Cigarette tax	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	152,527	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Miscellaneous	262,919	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>415,446</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	23,727	-	-
Public works	-	-	37,097	48,055
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	200,000	-	-	-
Capital outlay	107,447	147,600	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>307,447</u>	<u>171,327</u>	<u>37,097</u>	<u>48,055</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>107,999</u>	<u>(171,327)</u>	<u>(37,097)</u>	<u>(48,055)</u>
<i>Other financing sources (uses):</i>				
Sale of assets	-	-	-	-
Transfers in	-	-	-	47,708
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,708</u>
<i>Net change in fund balances</i>	107,999	(171,327)	(37,097)	(347)
<i>Fund balance - beginning of year</i>	<u>239,208</u>	<u>176,577</u>	<u>66,145</u>	<u>347</u>
<i>Fund balance - end of year</i>	<u>\$ 347,207</u>	<u>\$ 5,250</u>	<u>\$ 29,048</u>	<u>\$ -</u>

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

<u>CAPITAL PROJECTS FUNDS</u>		<u>DEBT SERVICE FUNDS</u>		
<u>Community Development</u>	<u>Federal Projects</u>	<u>Sports Complex Debt Service</u>	<u>2002 Sales Tax Bonds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	788,589	-	788,589
-	-	-	-	438,129
-	-	-	-	490,359
-	-	-	-	23,955
-	1,159,938	-	-	5,814,725
-	-	-	-	2,425,209
-	-	-	-	199,781
-	-	-	-	70,332
-	-	-	-	333,283
-	-	13,828	-	113,091
<u>-</u>	<u>1,159,938</u>	<u>802,417</u>	<u>-</u>	<u>10,697,453</u>
-	-	73,735	-	73,735
-	-	-	-	471,302
-	-	-	-	852,216
-	-	123,985	-	815,635
-	-	-	-	84,092
332	-	-	-	873,620
46,882	1,323,787	21,699	-	7,510,307
-	-	343,895	225,000	625,548
-	-	84,322	142,263	258,217
<u>47,214</u>	<u>1,323,787</u>	<u>647,636</u>	<u>367,263</u>	<u>11,564,672</u>
<u>(47,214)</u>	<u>(163,849)</u>	<u>154,781</u>	<u>(367,263)</u>	<u>(867,219)</u>
-	-	-	-	620
47,214	-	-	367,263	1,411,534
-	-	-	-	(1,289,179)
<u>47,214</u>	<u>-</u>	<u>-</u>	<u>367,263</u>	<u>122,975</u>
-	(163,849)	154,781	-	(744,244)
-	(36,975)	1,067,876	18,742	4,014,149
<u>\$ -</u>	<u>\$ (200,824)</u>	<u>\$ 1,222,657</u>	<u>\$ 18,742</u>	<u>\$ 3,269,905</u>

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, 2007**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	12,680	29,616	16,936	(12,680)
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	12,680	29,616	16,936	(12,680)
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	12,680	29,616	16,936	12,680
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	12,680	29,616	16,936	12,680
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	5,703	5,703
<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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	60	60	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>60</u>	<u>60</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(60)</u>	<u>(60)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	60	-	(60)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>60</u>	<u>-</u>	<u>(60)</u>
<i>Net change in fund balance</i>	-	-	(60)	(60)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>60</u>	<u>60</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-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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	237,459	237,459	15,149	(222,310)
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>237,459</u>	<u>237,459</u>	<u>15,149</u>	<u>(222,310)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	18,579	18,579	968	17,611
Economic development	-	-	-	-
Capital outlay	218,880	218,880	13,827	205,053
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>237,459</u>	<u>237,459</u>	<u>14,795</u>	<u>222,664</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>354</u>	<u>354</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>	-	-	354	354
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>424</u>	<u>424</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 778</u>	<u>\$ 778</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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	280,098	280,098	280,032	(66)
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	8,720	8,720
<i>Total revenues</i>	<u>280,098</u>	<u>280,098</u>	<u>288,752</u>	<u>8,654</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	169,384	171,384	168,664	2,720
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	46,417	44,417	44,028	389
Debt service:				
Principal	56,653	56,653	56,653	-
Interest	31,699	31,699	31,632	67
<i>Total expenditures</i>	<u>304,153</u>	<u>304,153</u>	<u>300,977</u>	<u>3,176</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(24,055)</u>	<u>(24,055)</u>	<u>(12,225)</u>	<u>11,830</u>
<i>Other financing sources (uses):</i>				
Designated cash	35,055	35,055	-	(35,055)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	(11,000)	(11,000)	(11,000)	-
<i>Total other financing sources (uses)</i>	<u>24,055</u>	<u>24,055</u>	<u>(11,000)</u>	<u>(35,055)</u>
<i>Net change in fund balance</i>	-	-	(23,225)	(23,225)
<i>Fund balance - beginning of year</i>	-	-	121,370	121,370
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,145</u>	<u>\$ 98,145</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECREATION

Statement A-7

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Cigarette taxes	26,000	26,000	23,955	(2,045)
Intergovernmental				
Federal grants	-	-	-	-
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	14,200	14,200	15,379	1,179
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	40,200	40,200	39,334	(866)
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	286,650	288,911	233,223	55,688
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	3,190	929	929	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	289,840	289,840	234,152	55,688
<i>Excess (deficiency) of revenues over expenditures</i>	(249,640)	(249,640)	(194,818)	54,822
<i>Other financing sources (uses):</i>				
Designated cash	6,441	6,441	-	(6,441)
Loan proceeds	-	-	-	-
Transfers in (out)	243,199	243,199	243,199	-
<i>Total other financing sources (uses)</i>	249,640	249,640	243,199	(6,441)
<i>Net change in fund balance</i>	-	-	48,381	48,381
<i>Fund balance - beginning of year</i>	-	-	6,441	6,441
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 54,822	\$ 54,822

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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Lodgers taxes	475,000	475,000	548,928	73,928
Intergovernmental				
Federal grants	-	-	-	-
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	3,542	3,542
Interest	-	-	1,431	1,431
<i>Total revenues</i>	<u>475,000</u>	<u>475,000</u>	<u>553,901</u>	<u>78,901</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	386,925	394,425	377,812	16,613
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>386,925</u>	<u>394,425</u>	<u>377,812</u>	<u>16,613</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>88,075</u>	<u>80,575</u>	<u>176,089</u>	<u>95,514</u>
<i>Other financing sources (uses):</i>				
Designated cash	11,925	19,425	-	(19,425)
Loan proceeds	-	-	-	-
Transfers in (out)	(100,000)	(100,000)	(100,000)	-
<i>Total other financing sources (uses)</i>	<u>(88,075)</u>	<u>(80,575)</u>	<u>(100,000)</u>	<u>(19,425)</u>
<i>Net change in fund balance</i>	-	-	76,089	76,089
<i>Fund balance - beginning of year</i>	-	-	90,634	90,634
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,723</u>	<u>\$ 166,723</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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	377,983	377,983	335,058	(42,925)
State grants	9,947	9,947	9,193	(754)
Licenses and permits	-	-	-	-
Charges for services	12,654	12,654	11,158	(1,496)
Fines and forfeits	-	-	-	-
Miscellaneous	-	19,803	19,247	(556)
Interest	-	-	-	-
<i>Total revenues</i>	<u>400,584</u>	<u>420,387</u>	<u>374,656</u>	<u>(45,731)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	38,539	258,313	109,546	148,767
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	417,877	1,208,622	319,098	889,524
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>456,416</u>	<u>1,466,935</u>	<u>428,644</u>	<u>1,038,291</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(55,832)</u>	<u>(1,046,548)</u>	<u>(53,988)</u>	<u>992,560</u>
<i>Other financing sources (uses):</i>				
Designated cash	55,832	1,046,548	-	(1,046,548)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>55,832</u>	<u>1,046,548</u>	<u>-</u>	<u>(1,046,548)</u>
<i>Net change in fund balance</i>	-	-	(53,988)	(53,988)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>74,715</u>	<u>74,715</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,727</u>	<u>\$ 20,727</u>

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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	20,000	20,000	20,000	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
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	12,709	12,709	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	9,000	7,291	7,291	-
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
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, 2007

Statement A-11

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	187,000	187,000	168,994	(18,006)
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	187,000	187,000	168,994	(18,006)
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	320,000	320,000	234,658	85,342
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	320,000	320,000	234,658	85,342
<i>Excess (deficiency) of revenues over expenditures</i>	(133,000)	(133,000)	(65,664)	67,336
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	133,000	133,000	133,000	-
<i>Total other financing sources (uses)</i>	133,000	133,000	133,000	-
<i>Net change in fund balance</i>	-	-	67,336	67,336
<i>Fund balance - beginning of year</i>	-	-	7,563	7,563
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 74,899	\$ 74,899

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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	967	11,204	16,087	4,883
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	4,746	4,746
Interest	-	-	-	-
<i>Total revenues</i>	<u>967</u>	<u>11,204</u>	<u>20,833</u>	<u>9,629</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	7,962	16,362	9,117	7,245
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	10,787	6,937	3,850
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>7,962</u>	<u>27,149</u>	<u>16,054</u>	<u>11,095</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(6,995)</u>	<u>(15,945)</u>	<u>4,779</u>	<u>20,724</u>
<i>Other financing sources (uses):</i>				
Designated cash	6,995	15,945	-	(15,945)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>6,995</u>	<u>15,945</u>	<u>-</u>	<u>(15,945)</u>
<i>Net change in fund balance</i>	-	-	4,779	4,779
<i>Fund balance - beginning of year</i>	-	-	8,331	8,331
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,110</u>	<u>\$ 13,110</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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	61,200	61,200	61,200	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>61,200</u>	<u>61,200</u>	<u>61,200</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	26,360	26,556	26,556	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	3,096	2,900	2,900	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>29,456</u>	<u>29,456</u>	<u>29,456</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>31,744</u>	<u>31,744</u>	<u>31,744</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	(31,744)	(31,744)	(31,744)	-
<i>Total other financing sources (uses)</i>	<u>(31,744)</u>	<u>(31,744)</u>	<u>(31,744)</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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	45,580	45,580	40,000	(5,580)
State grants	5,628	5,628	10,382	4,754
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>51,208</u>	<u>51,208</u>	<u>50,382</u>	<u>(826)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	51,352	51,637	51,567	70
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>51,352</u>	<u>51,637</u>	<u>51,567</u>	<u>70</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(144)</u>	<u>(429)</u>	<u>(1,185)</u>	<u>(756)</u>
<i>Other financing sources (uses):</i>				
Designated cash	144	429	-	(429)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>144</u>	<u>429</u>	<u>-</u>	<u>(429)</u>
<i>Net change in fund balance</i>	-	-	(1,185)	(1,185)
<i>Fund balance - beginning of year</i>	-	-	11,893	11,893
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,708</u>	<u>\$ 10,708</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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	41,700	41,700
Interest	-	-	88,953	88,953
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>130,653</u>	<u>130,653</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	39,192	68,842	36,823	32,019
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	1,369,297	1,369,297	1,270,092	99,205
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,408,489</u>	<u>1,438,139</u>	<u>1,306,915</u>	<u>131,224</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,408,489)</u>	<u>(1,438,139)</u>	<u>(1,176,262)</u>	<u>261,877</u>
<i>Other financing sources (uses):</i>				
Designated cash	(375,296)	(345,646)	-	345,646
Sale of assets	-	-	-	-
Loan proceeds	1,783,785	1,783,785	-	(1,783,785)
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,408,489</u>	<u>1,438,139</u>	<u>-</u>	<u>(1,438,139)</u>
<i>Net change in fund balance</i>	-	-	(1,176,262)	(1,176,262)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,707,533</u>	<u>1,707,533</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 531,271</u>	<u>\$ 531,271</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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	3,937,548	7,402,548	3,291,173	(4,111,375)
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>3,937,548</u>	<u>7,402,548</u>	<u>3,291,173</u>	<u>(4,111,375)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	2,274,152	4,333,697	666,805	3,666,892
Capital outlay	2,785,063	4,156,524	2,514,815	1,641,709
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>5,059,215</u>	<u>8,490,221</u>	<u>3,181,620</u>	<u>5,308,601</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,121,667)</u>	<u>(1,087,673)</u>	<u>109,553</u>	<u>1,197,226</u>
<i>Other financing sources (uses):</i>				
Designated cash	1,121,667	1,093,278	-	(1,093,278)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	(5,605)	(33,994)	(28,389)
<i>Total other financing sources (uses)</i>	<u>1,121,667</u>	<u>1,087,673</u>	<u>(33,994)</u>	<u>(1,121,667)</u>
<i>Net change in fund balance</i>	-	-	75,559	75,559
<i>Fund balance - beginning of year</i>	-	-	1,121,667	1,121,667
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,197,226</u>	<u>\$ 1,197,226</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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
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	9,011	25,679
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>34,690</u>	<u>34,690</u>	<u>9,011</u>	<u>25,679</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(34,690)</u>	<u>(34,690)</u>	<u>(9,011)</u>	<u>25,679</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>	-	-	(9,011)	(9,011)
<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>\$ 25,679</u>	<u>\$ 25,679</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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	306,900	306,900	-	(306,900)
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
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)
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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	750	750
State grants	37,031	37,031	20,966	(16,065)
Licenses and permits	-	-	-	-
Charges for services	2,000	2,000	4,250	2,250
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	44	44
<i>Total revenues</i>	<u>39,031</u>	<u>39,031</u>	<u>26,010</u>	<u>(13,021)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	25,000	25,000	24,000	1,000
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	5,000	5,000	-	5,000
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>30,000</u>	<u>30,000</u>	<u>24,000</u>	<u>6,000</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>9,031</u>	<u>9,031</u>	<u>2,010</u>	<u>(7,021)</u>
<i>Other financing sources (uses):</i>				
Designated cash	(9,031)	(9,031)	-	9,031
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(9,031)</u>	<u>(9,031)</u>	<u>-</u>	<u>9,031</u>
<i>Net change in fund balance</i>	-	-	2,010	2,010
<i>Fund balance - beginning of year</i>	-	-	73,485	73,485
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,495</u>	<u>\$ 75,495</u>

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

STATE OF NEW MEXICO
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, 2007

Statement A-20

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	274,450	292,120	100,837	191,283
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	719,000	720,330	236,932	483,398
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>993,450</u>	<u>1,012,450</u>	<u>337,769</u>	<u>674,681</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(993,450)</u>	<u>(1,012,450)</u>	<u>(337,769)</u>	<u>674,681</u>
<i>Other financing sources (uses):</i>				
Designated cash	5,279	5,279	-	(5,279)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	988,171	1,007,171	400,000	(607,171)
<i>Total other financing sources (uses)</i>	<u>993,450</u>	<u>1,012,450</u>	<u>400,000</u>	<u>(612,450)</u>
<i>Net change in fund balance</i>	-	-	62,231	62,231
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>5,279</u>	<u>5,279</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,510</u>	<u>\$ 67,510</u>

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

STATE OF NEW MEXICO
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, 2007

Statement A-21

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	359,233	359,233	226,548	(132,685)
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	44	44
<i>Total revenues</i>	<u>359,233</u>	<u>359,233</u>	<u>226,592</u>	<u>(132,641)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	140,000	144,000	35,888	108,112
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	175,020	171,020	143,206	27,814
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>315,020</u>	<u>315,020</u>	<u>179,094</u>	<u>135,926</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>44,213</u>	<u>44,213</u>	<u>47,498</u>	<u>3,285</u>
<i>Other financing sources (uses):</i>				
Designated cash	(101,360)	(101,360)	-	101,360
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	57,147	57,147	57,147	-
<i>Total other financing sources (uses)</i>	<u>(44,213)</u>	<u>(44,213)</u>	<u>57,147</u>	<u>101,360</u>
<i>Net change in fund balance</i>	-	-	104,645	104,645
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(101,360)</u>	<u>(101,360)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,285</u>	<u>\$ 3,285</u>

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

STATE OF NEW MEXICO
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, 2007

Statement A-22

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	518,000	518,000	486,727	(31,273)
Intergovernmental				
Federal grants	126,229	126,229	126,228	(1)
State grants	341,557	555,557	134,955	(420,602)
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	1,130	1,130
Interest	-	-	44	44
<i>Total revenues</i>	985,786	1,199,786	749,084	(450,702)
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	391,448	469,900	466,948	2,952
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	791,112	1,006,347	497,005	509,342
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	1,182,560	1,476,247	963,953	512,294
<i>Excess (deficiency) of revenues over expenditures</i>	(196,774)	(276,461)	(214,869)	61,592
<i>Other financing sources (uses):</i>				
Designated cash	(27,918)	51,769	-	(51,769)
Sale of assets	-	-	620	620
Loan proceeds	-	-	-	-
Transfers in (out)	224,692	224,692	238,572	13,880
<i>Total other financing sources (uses)</i>	196,774	276,461	239,192	(37,269)
<i>Net change in fund balance</i>	-	-	24,323	24,323
<i>Fund balance - beginning of year</i>	-	-	47,162	47,162
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 71,485	\$ 71,485

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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	1,160,000	602,945	(557,055)
State grants	5,781,913	5,781,913	1,140,113	(4,641,800)
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>5,781,913</u>	<u>6,941,913</u>	<u>1,743,058</u>	<u>(5,198,855)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	10,785	10,785	-	10,785
Public works	-	-	-	-
Culture and recreation	65,543	65,543	3,998	61,545
Public health and welfare	61,961	61,961	32,487	29,474
Economic development	-	-	-	-
Capital outlay	5,424,639	10,067,270	2,438,437	7,628,833
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>5,562,928</u>	<u>10,205,559</u>	<u>2,474,922</u>	<u>7,730,637</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>218,985</u>	<u>(3,263,646)</u>	<u>(731,864)</u>	<u>2,531,782</u>
<i>Other financing sources (uses):</i>				
Designated cash	(218,985)	(218,985)	-	218,985
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	3,482,631	-	(3,482,631)
<i>Total other financing sources (uses)</i>	<u>(218,985)</u>	<u>3,263,646</u>	<u>-</u>	<u>(3,263,646)</u>
<i>Net change in fund balance</i>	-	-	(731,864)	(731,864)
<i>Fund balance - beginning of year</i>	-	-	(218,981)	(218,981)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (950,845)</u>	<u>\$ (950,845)</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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	200,000	200,000	262,919	62,919
Interest	-	-	-	-
<i>Total revenues</i>	<u>200,000</u>	<u>200,000</u>	<u>262,919</u>	<u>62,919</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	200,000	200,000	200,000	-
Capital outlay	223,859	223,859	64,956	158,903
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>423,859</u>	<u>423,859</u>	<u>264,956</u>	<u>158,903</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(223,859)</u>	<u>(223,859)</u>	<u>(2,037)</u>	<u>221,822</u>
<i>Other financing sources (uses):</i>				
Designated cash	223,859	223,859	-	(223,859)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>223,859</u>	<u>223,859</u>	<u>-</u>	<u>(223,859)</u>
<i>Net change in fund balance</i>	-	-	(2,037)	(2,037)
<i>Fund balance - beginning of year</i>	-	-	239,208	239,208
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 237,171</u>	<u>\$ 237,171</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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	24,744	23,728	23,727	1
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	272,140	272,140	272,140	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>296,884</u>	<u>295,868</u>	<u>295,867</u>	<u>1</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(296,884)</u>	<u>(295,868)</u>	<u>(295,867)</u>	<u>1</u>
<i>Other financing sources (uses):</i>				
Designated cash	296,884	301,117	-	(301,117)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	(5,249)	-	5,249
<i>Total other financing sources (uses)</i>	<u>296,884</u>	<u>295,868</u>	<u>-</u>	<u>(295,868)</u>
<i>Net change in fund balance</i>	-	-	(295,867)	(295,867)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>301,117</u>	<u>301,117</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,250</u>	<u>\$ 5,250</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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	47,740	57,902	28,388	29,514
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	50,000	39,838	-	39,838
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>97,740</u>	<u>97,740</u>	<u>28,388</u>	<u>69,352</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(97,740)</u>	<u>(97,740)</u>	<u>(28,388)</u>	<u>69,352</u>
<i>Other financing sources (uses):</i>				
Designated cash	66,145	66,145	-	(66,145)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	31,595	31,595	-	(31,595)
<i>Total other financing sources (uses)</i>	<u>97,740</u>	<u>97,740</u>	<u>-</u>	<u>(97,740)</u>
<i>Net change in fund balance</i>	-	-	(28,388)	(28,388)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>66,145</u>	<u>66,145</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,757</u>	<u>\$ 37,757</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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	45,326	45,326	-	(45,326)
Interest	-	-	-	-
<i>Total revenues</i>	<u>45,326</u>	<u>45,326</u>	<u>-</u>	<u>(45,326)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	50,000	51,852	48,054	3,798
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>50,000</u>	<u>51,852</u>	<u>48,054</u>	<u>3,798</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(4,674)</u>	<u>(6,526)</u>	<u>(48,054)</u>	<u>(41,528)</u>
<i>Other financing sources (uses):</i>				
Designated cash	(20,326)	(41,182)	-	41,182
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	25,000	47,708	47,707	(1)
<i>Total other financing sources (uses)</i>	<u>4,674</u>	<u>6,526</u>	<u>47,707</u>	<u>41,181</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(347)</u>	<u>(347)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>347</u>	<u>347</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-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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	250,000	250,000	-	(250,000)
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	42,100	56,610	332	56,278
Capital outlay	235,000	240,605	46,882	193,723
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>277,100</u>	<u>297,215</u>	<u>47,214</u>	<u>250,001</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(27,100)</u>	<u>(47,215)</u>	<u>(47,214)</u>	<u>1</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	14,510	-	(14,510)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	27,100	32,705	47,214	14,509
<i>Total other financing sources (uses)</i>	<u>27,100</u>	<u>47,215</u>	<u>47,214</u>	<u>(1)</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	1,405,122	1,900,122	1,159,938	(740,184)
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>1,405,122</u>	<u>1,900,122</u>	<u>1,159,938</u>	<u>(740,184)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	1,368,147	1,870,029	1,118,349	751,680
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,368,147</u>	<u>1,870,029</u>	<u>1,118,349</u>	<u>751,680</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>36,975</u>	<u>30,093</u>	<u>41,589</u>	<u>11,496</u>
<i>Other financing sources (uses):</i>				
Designated cash	(36,975)	(30,093)	-	30,093
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(36,975)</u>	<u>(30,093)</u>	<u>-</u>	<u>30,093</u>
<i>Net change in fund balance</i>	-	-	41,589	41,589
<i>Fund balance - beginning of year</i>	-	-	(36,975)	(36,975)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,614</u>	<u>\$ 4,614</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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	699,161	699,161	778,851	79,690
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	13,828	13,828
<i>Total revenues</i>	<u>699,161</u>	<u>699,161</u>	<u>792,679</u>	<u>93,518</u>
<i>Expenditures:</i>				
Current:				
General government	114,100	114,100	70,500	43,600
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	178,180	178,180	69,528	108,652
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	24,700	24,700	21,699	3,001
Debt service:				
Principal	343,895	343,895	343,895	-
Interest	84,322	84,322	84,322	-
<i>Total expenditures</i>	<u>745,197</u>	<u>745,197</u>	<u>589,944</u>	<u>155,253</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(46,036)</u>	<u>(46,036)</u>	<u>202,735</u>	<u>248,771</u>
<i>Other financing sources (uses):</i>				
Designated cash	46,036	46,036	-	(46,036)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>46,036</u>	<u>46,036</u>	<u>-</u>	<u>(46,036)</u>
<i>Net change in fund balance</i>	-	-	202,735	202,735
<i>Fund balance - beginning of year</i>	-	-	940,565	940,565
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,143,300</u>	<u>\$ 1,143,300</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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
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	225,000	225,000	225,000	-
Interest	142,263	142,263	142,263	-
<i>Total expenditures</i>	<u>367,263</u>	<u>367,263</u>	<u>367,263</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(367,263)</u>	<u>(367,263)</u>	<u>(367,263)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	367,263	367,263	367,263	-
<i>Total other financing sources (uses)</i>	<u>367,263</u>	<u>367,263</u>	<u>367,263</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	18,742	18,742
<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, 2007

	Museum Gift Shop	Municipal Transit Fund	Performing Arts Centre	Cemetery
<i>Assets</i>				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 36,304	\$ 202,452	\$ 6,103	\$ 18,022
Investments	-	-	-	-
Accounts receivables	-	-	-	-
Interfund receivables	-	-	-	-
Inventory	-	-	-	-
	<u>36,304</u>	<u>202,452</u>	<u>6,103</u>	<u>18,022</u>
<i>Total current assets</i>				
	<u>36,304</u>	<u>202,452</u>	<u>6,103</u>	<u>18,022</u>
<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	-	847,106	1,264,127	279,688
	<u>-</u>	<u>905,866</u>	<u>1,374,127</u>	<u>311,954</u>
<i>Total capital assets</i>				
	<u>-</u>	<u>905,866</u>	<u>1,374,127</u>	<u>311,954</u>
<i>Other assets</i>				
Unamortized bond discount	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total noncurrent assets</i>				
	<u>-</u>	<u>905,866</u>	<u>1,374,127</u>	<u>311,954</u>
<i>Total assets</i>	<u>\$ 36,304</u>	<u>\$ 1,108,318</u>	<u>\$ 1,380,230</u>	<u>\$ 329,976</u>

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

Total

\$ 262,881
 -
 -
 -
 -

262,881

201,026
2,390,921
2,591,947

2,591,947
\$ 2,854,828

STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2007

	Museum Gift Shop	Municipal Transit Fund	Performing Arts Centre	Cemetery
<i>Liabilities and Net Assets</i>				
<i>Current liabilities</i>				
Accounts payable	\$ -	\$ 220	\$ 140	\$ 25
Accrued expenses	-	9,737	1,729	-
Interfund payable	-	-	-	-
Deferred revenue	-	-	-	-
Compensated absences - current portion	-	1,033	-	-
Bond payable - current portion	-	-	-	-
Note payable - current portion	-	-	-	-
	-	10,990	1,869	25
<i>Total current liabilities</i>	-	10,990	1,869	25
<i>Noncurrent liabilities</i>				
Bonds payable - net of current portion	-	-	-	-
Note payable - net of current portion	-	-	-	-
Compensated absences	-	6,358	531	-
Estimated liability - landfill closure and post closure care	-	-	-	-
	-	6,358	531	-
<i>Total noncurrent liabilities</i>	-	6,358	531	-
<i>Net Assets</i>				
Invested in capital assets, net of related debt	-	905,866	1,374,127	311,954
Unrestricted	36,304	185,104	3,703	17,997
	36,304	1,090,970	1,377,830	329,951
<i>Total net assets</i>	36,304	1,090,970	1,377,830	329,951
<i>Total liabilities and net assets</i>	\$ 36,304	\$ 1,108,318	\$ 1,380,230	\$ 329,976

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

<u>Total</u>	
\$	385
	11,466
	-
	-
	1,033
	-
	-
	<u>12,884</u>
	-
	-
	6,889
	-
	<u>6,889</u>
	2,591,947
	<u>243,108</u>
	<u>2,835,055</u>
\$	<u><u>2,854,828</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, 2007

	<u>Museum Gift Shop</u>	<u>Municipal Transit Fund</u>	<u>Performing Arts Centre</u>	<u>Cemetery</u>
<i>Operating revenues:</i>				
Taxes				
Gross receipts taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal grants	-	328,457	-	-
State grants	-	-	-	-
Charges for services	10,908	58,441	8,500	142,921
Miscellaneous	1,157	-	61	-
<i>Total operating revenues</i>	<u>12,065</u>	<u>386,898</u>	<u>8,561</u>	<u>142,921</u>
<i>Operating expenses:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Public health and welfare	-	-	-	-
Economic development	-	-	-	-
Personnel services	-	377,365	65,657	-
Power and fuel	-	-	-	-
General insurance	-	-	-	-
Workers' compensation and health benefits	-	-	-	-
Other operating expenses	8,057	185,558	148,524	230,611
<i>Total operating expenses</i>	<u>8,057</u>	<u>562,923</u>	<u>214,181</u>	<u>230,611</u>
<i>Operating income (loss)</i>	<u>4,008</u>	<u>(176,025)</u>	<u>(205,620)</u>	<u>(87,690)</u>
<i>Nonoperating revenues (expenses):</i>				
Interest income	-	-	-	-
Interest expense	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Income before transfers</i>	<u>4,008</u>	<u>(176,025)</u>	<u>(205,620)</u>	<u>(87,690)</u>
Transfers in	-	258,292	227,139	157,003
Transfers (out)	-	(19,175)	-	-
<i>Total transfers</i>	<u>-</u>	<u>239,117</u>	<u>227,139</u>	<u>157,003</u>
<i>Change in net assets</i>	4,008	63,092	21,519	69,313
<i>Net assets - beginning of year</i>	<u>32,296</u>	<u>1,027,878</u>	<u>1,356,311</u>	<u>260,638</u>
<i>Net assets - end of year</i>	<u>\$ 36,304</u>	<u>\$ 1,090,970</u>	<u>\$ 1,377,830</u>	<u>\$ 329,951</u>

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

<u>Total</u>
\$ -
328,457
-
220,770
1,218
<u>550,445</u>
-
-
-
-
-
443,022
-
-
-
572,750
<u>1,015,772</u>
<u>(465,327)</u>
-
<u>-</u>
-
<u>(465,327)</u>
642,434
(19,175)
<u>623,259</u>
157,932
<u>2,677,123</u>
<u>\$ 2,835,055</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2007

	Museum Gift Shop	Municipal Transit	Performing Arts Centre	Cemetery
Cash flows from operating activities				
Receipts from customers and users	\$ 12,065	\$ 80,735	\$ 8,561	\$ 142,921
Operating grant	-	328,457	-	-
Payments to suppliers	(8,057)	(105,952)	(79,727)	(219,399)
Payments to employees	-	(383,983)	(66,931)	-
	<u>4,008</u>	<u>(80,743)</u>	<u>(138,097)</u>	<u>(76,478)</u>
Net cash provided (used) by operating activities				
Cash flows from noncapital financing activities:				
Taxes	-	-	-	-
Customer deposits, net	-	-	-	-
Operating transfers in (out)	-	239,117	227,139	157,003
	<u>-</u>	<u>239,117</u>	<u>227,139</u>	<u>157,003</u>
Net cash provided (used) by noncapital financing activities	-	239,117	227,139	157,003
Cash flows from capital and related financing activities:				
Acquisitions and construction of capital assets	-	-	(103,740)	(80,391)
Principal paid on capital debt	-	-	-	-
Interest paid on capital debt	-	-	-	-
Loan proceeds	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-
	<u>-</u>	<u>-</u>	<u>(103,740)</u>	<u>(80,391)</u>
Net cash provided (used) by capital and related financing activities	-	-	(103,740)	(80,391)
Cash flows from investing activities:				
Interest income	-	-	-	-
Acquisition of new note receivable	-	-	-	-
Payments received on notes receivable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	-	-	-	-
Net increase (decrease) in cash and temporary investments	\$ <u>4,008</u>	\$ <u>158,374</u>	\$ <u>(14,698)</u>	\$ <u>134</u>

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

<u>Total</u>	
\$	244,282
	328,457
	(413,135)
	<u>(450,914)</u>
	<u>(291,310)</u>
	-
	-
	<u>623,259</u>
	-
	<u>623,259</u>
	(184,131)
	-
	-
	-
	<u>-</u>
	<u>(184,131)</u>
	-
	-
	<u>-</u>
	-
	<u>-</u>
\$	<u>147,818</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2007

	<u>Museum Gift Shop</u>	<u>Municipal Transit</u>	<u>Performing Arts Centre</u>	<u>Cemetery</u>
Net increase (decrease) in cash and temporary investments from previous page	\$ 4,008	\$ 158,374	\$ (14,698)	\$ 134
Cash and temporary investments-beginning of year	<u>32,296</u>	<u>44,078</u>	<u>20,801</u>	<u>17,888</u>
Cash and temporary investments-end of year	<u>\$ 36,304</u>	<u>\$ 202,452</u>	<u>\$ 6,103</u>	<u>\$ 18,022</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 4,008	\$ (176,025)	\$ (205,620)	\$ (87,690)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	-	79,606	68,797	11,212
(Increase) decrease in:				
Accounts receivable	-	22,294	-	-
Inventories	-	-	-	-
(Decrease) increase in:				
Accounts payable	-	(5,190)	-	-
Accrued expenses	-	(1,428)	(1,274)	-
Deferred revenue	-	-	-	-
Estimated landfill postclosure liabilities	-	-	-	-
Refundable customer deposits	-	-	-	-
Net cash provided (used) by operating activities	<u>\$ 4,008</u>	<u>\$ (80,743)</u>	<u>\$ (138,097)</u>	<u>\$ (76,478)</u>
Cash and temporary investments:				
Cash and cash equivalents	\$ 36,304	\$ 202,452	\$ 6,103	\$ 18,022
Investments	-	-	-	-
Restricted assets - debt service	-	-	-	-
Total cash and temporary investments	<u>\$ 36,304</u>	<u>\$ 202,452</u>	<u>\$ 6,103</u>	<u>\$ 18,022</u>

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

Total

\$ 147,818

115,063

\$ 262,881

\$ (465,327)

159,615

-

22,294

-

-

(5,190)

(2,702)

-

-

-

(291,310)

\$ 262,881

-

-

262,881

\$ 262,881

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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	516,215	516,215	539,766	23,551
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	499,234	499,234	413,835	(85,399)
Licenses and permits	-	-	-	-
Charges for services	3,443,825	3,539,332	3,519,712	(19,620)
Miscellaneous	-	-	401	401
Interest	9,000	9,000	42,995	33,995
<i>Total revenues</i>	<u>4,468,274</u>	<u>4,563,781</u>	<u>4,516,709</u>	<u>(47,072)</u>
<i>Expenditures:</i>				
Current:				
Personnel services	1,356,500	1,356,500	1,180,518	175,982
Power and fuel	3,500	-	-	-
General insurance	-	-	-	-
Workers' compensation and health benefits	-	-	-	-
Other operating expenses	1,385,639	1,554,646	1,483,501	71,145
Capital outlay	120,000	50,000	46,340	3,660
Debt service:				
Principal	49,644	49,644	50,721	(1,077)
Interest	15,945	15,945	12,926	3,019
<i>Total expenditures</i>	<u>2,931,228</u>	<u>3,026,735</u>	<u>2,774,006</u>	<u>252,729</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,537,046</u>	<u>1,537,046</u>	<u>1,742,703</u>	<u>205,657</u>
<i>Other financing sources (uses):</i>				
Designated cash	(142,600)	(119,892)	-	119,892
Sale of assets	-	-	1,680	1,680
Loan proceeds	-	-	-	-
Transfers in (out)	(1,394,446)	(1,417,154)	(1,435,575)	(18,421)
<i>Total other financing sources (uses)</i>	<u>(1,537,046)</u>	<u>(1,537,046)</u>	<u>(1,433,895)</u>	<u>103,151</u>
<i>Change in net assets</i>	<u>-</u>	<u>-</u>	<u>308,808</u>	<u>308,808</u>
<i>Net assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,501,024</u>	<u>1,501,024</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,809,832</u>	<u>\$ 1,809,832</u>

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

STATE OF NEW MEXICO
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, 2007

Statement B-5

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Oil and gas	-	-	10,720	10,720
Intergovernmental				
Federal grants	-	-	-	-
State grants	-	-	4,885	4,885
Licenses and permits	-	-	-	-
Charges for services	7,308,665	7,308,665	7,238,018	(70,647)
Miscellaneous	20,000	20,000	18,436	(1,564)
Interest	276,800	276,800	486,378	209,578
<i>Total revenues</i>	<u>7,605,465</u>	<u>7,605,465</u>	<u>7,758,437</u>	<u>152,972</u>
<i>Expenditures:</i>				
Current:				
Personnel services	2,560,700	2,560,700	2,266,852	293,848
Power and fuel	-	-	-	-
General insurance	-	-	-	-
Workers' compensation and health benefits	-	-	-	-
Other operating expenses	2,785,489	2,851,413	2,235,880	615,533
Capital outlay	1,444,203	1,541,730	229,636	1,312,094
Debt service:				
Principal	905,000	905,000	905,000	-
Interest	753,803	753,803	716,828	36,975
<i>Total expenditures</i>	<u>8,449,195</u>	<u>8,612,646</u>	<u>6,354,196</u>	<u>2,258,450</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(843,730)</u>	<u>(1,007,181)</u>	<u>1,404,241</u>	<u>2,411,422</u>
<i>Other financing sources (uses):</i>				
Designated cash	4,439,374	4,621,825	-	(4,621,825)
Sale of assets	10,000	10,000	6,104	(3,896)
Loan proceeds	-	-	-	-
Transfers in (out)	(3,605,644)	(3,624,644)	(2,843,734)	780,910
<i>Total other financing sources (uses)</i>	<u>843,730</u>	<u>1,007,181</u>	<u>(2,837,630)</u>	<u>(3,844,811)</u>
<i>Change in net assets</i>	-	-	(1,433,389)	(1,433,389)
<i>Net assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>13,457,152</u>	<u>13,457,152</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,023,763</u>	<u>\$ 12,023,763</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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	12,000	12,000	10,908	(1,092)
Fines and forfeits	-	-	-	-
Miscellaneous	750	750	1,158	408
Interest	-	-	-	-
<i>Total revenues</i>	<u>12,750</u>	<u>12,750</u>	<u>12,066</u>	<u>(684)</u>
<i>Expenditures:</i>				
Current:				
Personnel services	-	-	-	-
Power and fuel	-	-	-	-
General insurance	-	-	-	-
Workers' compensation and health benefits	-	-	-	-
Other operating expenses	15,200	15,200	8,058	7,142
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>15,200</u>	<u>15,200</u>	<u>8,058</u>	<u>7,142</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,450)</u>	<u>(2,450)</u>	<u>4,008</u>	<u>6,458</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>	-	-	4,008	4,008
<i>Net assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>32,296</u>	<u>32,296</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,304</u>	<u>\$ 36,304</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
MUNICIPAL TRANSIT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET ASSETS - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2007

Statement B-7

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	264,400	264,400	350,751	86,351
State grants	5,920	5,920	-	(5,920)
Licenses and permits	-	-	-	-
Charges for services	35,000	35,000	58,441	23,441
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>305,320</u>	<u>305,320</u>	<u>409,192</u>	<u>103,872</u>
<i>Expenditures:</i>				
Current:				
Personnel services	433,500	433,500	378,793	54,707
Power and fuel	-	-	-	-
General insurance	-	-	-	-
Workers' compensation and health benefits	-	-	-	-
Other operating expenses	130,975	131,351	105,240	26,111
Capital outlay	24,040	23,664	5,902	17,762
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>588,515</u>	<u>588,515</u>	<u>489,935</u>	<u>98,580</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(283,195)</u>	<u>(283,195)</u>	<u>(80,743)</u>	<u>202,452</u>
<i>Other financing sources (uses):</i>				
Designated cash	44,078	44,078	-	(44,078)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	239,117	239,117	239,117	-
<i>Total other financing sources (uses)</i>	<u>283,195</u>	<u>283,195</u>	<u>239,117</u>	<u>(44,078)</u>
<i>Change in net assets</i>	-	-	158,374	158,374
<i>Net assets - beginning of year</i>	-	-	44,078	44,078
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,452</u>	<u>\$ 202,452</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, 2007

Statement B-8

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	25,000	25,000	8,500	(16,500)
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	61	61
Interest	-	-	-	-
<i>Total revenues</i>	25,000	25,000	8,561	(16,439)
<i>Expenditures:</i>				
Current:				
Personnel services	86,400	67,073	67,073	-
Power and fuel	-	-	-	-
General insurance	-	-	-	-
Workers' compensation and health benefits	-	-	-	-
Other operating expenses	62,000	84,792	76,787	8,005
Capital outlay	-	2,799	2,799	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	148,400	154,664	146,659	8,005
<i>Excess (deficiency) of revenues over expenditures</i>	(123,400)	(129,664)	(138,098)	(8,434)
<i>Other financing sources (uses):</i>				
Designated cash	-	6,264	-	(6,264)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	123,400	123,400	123,400	-
<i>Total other financing sources (uses)</i>	123,400	129,664	123,400	(6,264)
<i>Change in net assets</i>	-	-	(14,698)	(14,698)
<i>Net assets - beginning of year</i>	-	-	20,801	20,801
<i>Net assets - end of year</i>	\$ -	\$ -	\$ 6,103	\$ 6,103

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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	155,000	155,000	142,921	(12,079)
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	155,000	155,000	142,921	(12,079)
<i>Expenditures:</i>				
Current:				
Personnel services	-	-	-	-
Power and fuel	-	-	-	-
General insurance	-	-	-	-
Workers' compensation and health benefits	-	-	-	-
Other operating expenses	249,475	249,475	219,374	30,101
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	249,475	249,475	219,374	30,101
<i>Excess (deficiency) of revenues over expenditures</i>	(94,475)	(94,475)	(76,453)	18,022
<i>Other financing sources (uses):</i>				
Designated cash	17,888	17,888	-	(17,888)
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	76,587	76,587	76,587	-
<i>Total other financing sources (uses)</i>	94,475	94,475	76,587	(17,888)
<i>Change in net assets</i>	-	-	134	134
<i>Net assets - beginning of year</i>	-	-	17,888	17,888
<i>Net assets - end of year</i>	\$ -	\$ -	\$ 18,022	\$ 18,022

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, 2007

Statement C-1

	Computer Lease Equipment	General Insurance	Group Health Insurance	Total
<i>Assets</i>				
<i>Current assets</i>				
Cash and cash equivalents	\$ 8,514	\$ 485,739	\$ 1,243,892	\$ 1,738,145
Accounts receivable	-	17,265	37,896	55,161
Interfund receivable	-	-	-	-
<i>Total current assets</i>	8,514	503,004	1,281,788	1,793,306
<i>Noncurrent assets</i>				
Restricted assets - other purposes	-	500,000	700,000	1,200,000
<i>Total restricted assets</i>	-	500,000	700,000	1,200,000
<i>Total liabilities and net assets</i>	\$ 8,514	\$ 1,003,004	\$ 1,981,788	\$ 2,993,306
<i>Liabilities and Net Assets</i>				
<i>Current liabilities</i>				
Accounts payable	-	-	-	-
Interfund payable	\$ -	\$ -	\$ -	\$ -
<i>Total liabilities</i>	-	-	-	-
<i>Net Assets</i>				
Restricted for computer lease	8,514	-	-	8,514
Restricted for insurance claims	-	1,003,004	1,981,788	2,984,792
<i>Total net assets</i>	8,514	1,003,004	1,981,788	2,993,306
<i>Total liabilities and net assets</i>	\$ 8,514	\$ 1,003,004	\$ 1,981,788	\$ 2,993,306

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, 2007

	Computer Lease Equipment	General Insurance	Group Health Insurance	Total
<i>Operating revenues:</i>				
Miscellaneous	\$ -	\$ 116,783	\$ 3,806,976	\$ 3,923,759
<i>Total operating revenues</i>	<u>-</u>	<u>116,783</u>	<u>3,806,976</u>	<u>3,923,759</u>
<i>Operating expenses:</i>				
Current:				
General insurance	-	729,075	-	729,075
Workers' compensation and health benefits	-	493,030	2,834,772	3,327,802
Other operating expenses	120,348	-	-	120,348
<i>Total operating expenses</i>	<u>120,348</u>	<u>1,222,105</u>	<u>2,834,772</u>	<u>4,177,225</u>
<i>Operating income (loss)</i>	<u>(120,348)</u>	<u>(1,105,322)</u>	<u>972,204</u>	<u>(253,466)</u>
<i>Nonoperating revenues (expenses):</i>				
Interest income	-	26,233	31,208	57,441
<i>Total nonoperating revenues (expenses)</i>	<u>-</u>	<u>26,233</u>	<u>31,208</u>	<u>57,441</u>
<i>Income (loss) before transfers</i>	<u>(120,348)</u>	<u>(1,079,089)</u>	<u>1,003,412</u>	<u>(196,025)</u>
Transfers in	128,571	1,337,500	-	1,466,071
Transfers (out)	-	-	-	-
<i>Total transfers</i>	<u>128,571</u>	<u>1,337,500</u>	<u>-</u>	<u>1,466,071</u>
<i>Change in net assets</i>	8,223	258,411	1,003,412	1,270,046
<i>Net assets - beginning of year</i>	<u>291</u>	<u>744,593</u>	<u>978,376</u>	<u>1,723,260</u>
<i>Net assets - end of year</i>	<u>\$ 8,514</u>	<u>\$ 1,003,004</u>	<u>\$ 1,981,788</u>	<u>\$ 2,993,306</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, 2007

	<u>Computer Lease Equipment</u>	<u>General Insurance</u>	<u>Group Health Insurance</u>
Cash flows from operating activities:			
Receipts from interfund services provided	\$ -	\$ 105,088	\$ 3,803,474
Cash paid for interfund services used	<u>(120,348)</u>	<u>(1,255,405)</u>	<u>(2,834,772)</u>
Net cash provided (used) by operating activities	<u>(120,348)</u>	<u>(1,150,317)</u>	<u>968,702</u>
Cash flows from noncapital financing activities:			
Receipts (payments) on interfund balances	-	-	-
Operating transfers in (out)	<u>128,571</u>	<u>1,337,500</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>128,571</u>	<u>1,337,500</u>	<u>-</u>
Cash flows from investing activities:			
Interest income	<u>-</u>	<u>26,233</u>	<u>31,208</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>26,233</u>	<u>31,208</u>
Net increase (decrease) in cash and temporary investments	8,223	213,416	999,910
Cash and temporary investments, beginning of year	<u>291</u>	<u>772,323</u>	<u>943,982</u>
Cash and temporary investments, end of year	<u>\$ 8,514</u>	<u>\$ 985,739</u>	<u>\$ 1,943,892</u>
Reconciliation of Income (loss) before transfers to net cash provided by operating activities:			
Income (loss) before transfers	\$ (120,348)	\$ (1,079,089)	\$ 1,003,412
Adjustments to reconcile operating income to net cash provided by operating activities:			
Accounts receivable		(11,694)	(3,502)
Accounts payable	<u>-</u>	<u>(33,300)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (120,348)</u>	<u>\$ (1,124,083)</u>	<u>\$ 999,910</u>
Cash and temporary investments:			
Cash and cash equivalents	\$ 8,514	\$ 485,739	\$ 1,243,892
Restricted assets - other purposes	<u>-</u>	<u>500,000</u>	<u>700,000</u>
Total cash and temporary investments	<u>\$ 8,514</u>	<u>\$ 985,739</u>	<u>\$ 1,943,892</u>

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

	<u>Total</u>
\$	3,908,562
	<u>(4,210,525)</u>
	<u>(301,963)</u>
	-
	<u>1,466,071</u>
	-
	<u>1,466,071</u>
	<u>57,441</u>
	<u>57,441</u>
	1,221,549
	<u>1,716,596</u>
\$	<u><u>2,938,145</u></u>
\$	(196,025)
	(15,196)
	<u>(33,300)</u>
\$	<u><u>(244,521)</u></u>
\$	1,738,145
	<u>1,200,000</u>
\$	<u><u>2,938,145</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, 2007

Statement C-4

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
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	128,571	120,347	8,224
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	128,571	128,571	120,347	8,224
<i>Excess (deficiency) of revenues over expenditures</i>	(128,571)	(128,571)	(120,347)	8,224
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	128,571	128,571	128,571	-
<i>Total other financing sources (uses)</i>	128,571	128,571	128,571	-
<i>Change in net assets</i>	-	-	8,224	8,224
<i>Net Assets - beginning of year</i>	-	-	291	291
<i>Net Assets - end of year</i>	\$ -	\$ -	\$ 8,515	\$ 8,515

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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes				
Intergovernmental				
Federal grants	-	-	-	-
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	87,238	107,627	20,389
Interest	6,000	6,000	23,695	17,695
<i>Total revenues</i>	<u>6,000</u>	<u>93,238</u>	<u>131,322</u>	<u>38,084</u>
<i>Expenditures:</i>				
Current:				
Personnel services	-	-	-	-
Power and fuel	-	-	-	-
General insurance	739,401	739,401	729,075	10,326
Workers' compensation and health benefits	448,000	527,433	526,331	1,102
Other operating expenses	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,187,401</u>	<u>1,266,834</u>	<u>1,255,406</u>	<u>11,428</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,181,401)</u>	<u>(1,173,596)</u>	<u>(1,124,084)</u>	<u>49,512</u>
<i>Other financing sources (uses):</i>				
Designated cash	(156,099)	(163,904)	-	163,904
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	1,337,500	1,337,500	1,337,500	-
<i>Total other financing sources (uses)</i>	<u>1,181,401</u>	<u>1,173,596</u>	<u>1,337,500</u>	<u>163,904</u>
<i>Change in net assets</i>	-	-	213,416	213,416
<i>Net Assets - beginning of year</i>	-	-	772,323	772,323
<i>Net Assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 985,739</u>	<u>\$ 985,739</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, 2007

Statement C-6

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle taxes	-	-	-	-
Intergovernmental				
Federal grants	-	-	-	-
State grants	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	3,311,221	3,311,221	3,803,848	492,627
Interest	21,300	21,300	28,064	6,764
<i>Total revenues</i>	3,332,521	3,332,521	3,831,912	499,391
<i>Expenditures:</i>				
Current:				
Personnel services	-	-	-	-
Power and fuel	-	-	-	-
General insurance	-	-	-	-
Workers' compensation and health benefits	3,313,221	3,313,221	2,832,002	481,219
Other operating expenses	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	3,313,221	3,313,221	2,832,002	481,219
<i>Excess (deficiency) of revenues over expenditures</i>	19,300	19,300	999,910	980,610
<i>Other financing sources (uses):</i>				
Designated cash	(19,300)	(19,300)	-	19,300
Sale of assets	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	(19,300)	(19,300)	-	19,300
<i>Change in net assets</i>	-	-	999,910	999,910
<i>Net Assets - beginning of year</i>	-	-	943,982	943,982
<i>Net Assets - end of year</i>	\$ -	\$ -	\$ 1,943,892	\$ 1,943,892

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, 2007

Schedule I
Page 1 of 3

Depository	CUSIP #	Description of Pledged Collateral	Fair Market Value June 30, 2007	Name and Location of Safekeeper
Carlsbad National Bank	3133M2JB4	FHLB 1240 Due 12/03/2007	\$ 1,003,748	FHLB Dallas, Texas
	31331RDV4	FHLB 1232 Due 07/16/2007	1,000,570	FHLB Dallas, Texas
	3133XBYP4	FHLB 1250 Due 06/18/2008	978,998	FHLB Dallas, Texas
	3133M4Q71	FHLB 1287 Due 05/25/2010	1,006,602	FHLB Dallas, Texas
			<u>3,989,918</u>	
Pioneer Savings Bank	36225CQ74	GNMA 80477 Due 12/20/2030	40,546	FHLB Dallas, Texas
	36225CS64	GNMA 080540 Due 09/20/2031	199,109	FHLB Dallas, Texas
	36225CTU0	GNMA 080562 Due 12/20/2031	132,914	FHLB Dallas, Texas
	31390KQK7	FNMA 648558 Due 06/01/2032	72,608	FHLB Dallas, Texas
	31391BES2	FNMA 661745 Due 09/01/2032	135,476	FHLB Dallas, Texas
	31403VWN5	FNMA 759453 Due 01/01/2034	413,350	FHLB Dallas, Texas
			<u>994,003</u>	
Wells Fargo Bank	31371MU96	FNCL 256308 Due 07/01/36	508,756	Wells Fargo San Francisco, CA
	31371MU96	FNCL 256308 Due 07/01/36	663,595	Wells Fargo San Francisco, CA
	31407ILD1	FNCL 833614 Due 01/1/2036	3,757,457	Wells Fargo San Francisco, CA
	36225BG69	GNSF 781121 Due 12/15/29	122,271	Wells Fargo San Francisco, CA
	36225BML9	GNSF 781263 Due 03/15/31	1,139,691	Wells Fargo San Francisco, CA
			<u>6,191,770</u>	

See Independent Auditor's Report.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
June 30, 2007

Depository	CUSIP #	Description of Pledged Collateral	Fair Market Value June 30, 2007	Name and Location of Safekeeper
Western Commerce Bank	36202KEE1	GMNA 8233 Due 06/20/2017	137,451	FHLB Dallas, Texas
	36202KD93	GNMA 8228 Due 07/20/2023	69,487	FHLB Dallas, Texas
	36202KJV2	GNMA 8280 Due 09/20/2023	69,930	FHLB Dallas, Texas
	36202KRQ0	GNMA 8595 Due 02/20/2025	99,149	FHLB Dallas, Texas
	36202KR56	GNMA 8608 Due 03/20/2025	277,066	FHLB Dallas, Texas
	36225CF35	GNMA 80185 B Due 04/20/2028	40,095	FHLB Dallas, Texas
	36225CGJ9	GNMA 80200 Due 05/20/2028	70,498	FHLB Dallas, Texas
	36225CKM7	GNMA 80299 Due 07/20/2029	83,741	FHLB Dallas, Texas
	31368PHP3	FNMA 195638 Due 04/1/2022	71,135	FHLB Dallas, Texas
	31362JUN3	FNMA 6289B Due 06/1/2028	51,406	FHLB Dallas, Texas
	36202KH32	GNMA 8350 A Due 01/20/2024	55,729	FHLB Dallas, Texas
	36202KV44	GNMA 8735 Due 09/20/2025	100,759	FHLB Dallas, Texas
	36202KYE9	GNMA 8809 Due 07/20/2021	13,244	FHLB Dallas, Texas
	36202K4L6	GNMA 8927 Due 07/20/2026	28,389	FHLB Dallas, Texas
	36202KZC2	GNMA 8839 Due 09/20/2021	40,883	FHLB Dallas, Texas
	36206JKV5	GNMA 412608B Due 05/15/2026	71,885	FHLB Dallas, Texas
	31361ELU9	FNMA 29139 Due 07/1/2026	57,968	FHLB Dallas, Texas
	31401H6Q0	FNMA 709279 Due 06/1/2033	328,030	FHLB Dallas, Texas

(continued)

See Independent Auditor's Report.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
June 30, 2007

Depository	CUSIP #	Description of Pledged Collateral	Fair Market Value June 30, 2007	Name and Location of Safekeeper
Western Commerce Bank	31406DYU4	FNMA 807223 Due 01/1/2035	833,388	FHLB Dallas, Texas
	31411YGX5	FNMA 918314 Due 04/1/2037	1,773,388	FHLB Dallas, Texas
	31346VK73	FHLMC 390318 Due 01/1/2021	56,343	FHLB Dallas, Texas
			<u>4,329,964</u>	
Total \$			<u>15,505,655</u>	

See Independent Auditor's Report.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
FOR PUBLIC FUNDS
June 30, 2007

Account	Account Type	Carlsbad National Bank	Pioneer Savings Bank
Health Insurance Fund	Checking	\$ 1,243,892	\$ -
Debt Service Fund	Checking	160,993	-
Payroll	Checking	349,726	-
General Operations	Checking	-	-
Permanent Water & Sewer	Checking	-	-
Construction Account	Checking	927	-
Capital Projects Fund	Checking	-	-
City of Carlsbad	Certificate of Deposit	750,000	800,000
City of Carlsbad	Certificate of Deposit	50,000	100,000
City of Carlsbad	Certificate of Deposit	300,000	500,000
City of Carlsbad	Certificate of Deposit	700,000	-
City of Carlsbad	Certificate of Deposit	250,000	200,000
City of Carlsbad	Certificate of Deposit	30,000	-
Investment Account	Investments	-	-
NMFA Aerial Ladder Trust Fund	Debt Service Funds	-	-
NMFA Grapppler Truck Fund	Debt Service Funds	-	-
NMFA Sports Complex	Debt Service Funds	-	-
		<u>3,835,538</u>	<u>1,600,000</u>
Reconciling Items		(235,224)	-
Reconciled balance - June 30, 2007		<u>\$ 3,600,314</u>	<u>\$ 1,600,000</u>

See Independent Auditor's Report.

Wells Fargo Bank	Western Commerce Bank	Bank of Albuquerque	NMFA Debt Service Reserve	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,243,892
-	-	-	-	160,993
-	-	-	-	349,726
10,400,869	-	-	-	10,400,869
407,050	-	-	-	407,050
-	2,302,736	-	-	2,303,663
-	990,509	-	-	990,509
400,000	850,000	-	-	2,800,000
350,000	-	-	-	500,000
100,000	450,000	-	-	1,350,000
950,000	800,000	-	-	2,450,000
-	405,000	-	-	855,000
-	-	-	-	30,000
6,309,114	-	-	-	6,309,114
-	-	88,942	5,403	94,345
-	-	2,999	58,418	61,417
-	-	1,441,440	408	1,441,848
<u>18,917,033</u>	<u>5,798,245</u>	<u>1,533,381</u>	<u>64,229</u>	<u>31,748,426</u>
58,977	(1,160,522)	-	-	(1,336,769)
<u>\$ 18,976,010</u>	<u>\$ 4,637,723</u>	<u>\$ 1,533,381</u>	<u>\$ 64,229</u>	<u>\$ 30,411,657</u>
Petty cash change funds				<u>2,757</u>
Statement of Net Assets				<u>\$ 30,414,414</u>
Cash and cash equivalents				\$ 20,088,410
Investments				6,785,000
Restricted cash and investments				<u>3,541,004</u>
				<u>\$ 30,414,414</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*

Hector Balderas
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 of the governmental activities, the business-type activities, each major fund, the budgetary comparison for the general fund and the aggregate remaining fund information of the City of Carlsbad, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 3, 2007. We also have audited the financial statements of each of the City's nonmajor governmental funds, nonmajor enterprise funds, internal service funds, budgetary comparisons for the National Cave-Karst Institute, proprietary funds and the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2007-3 and 2007-4 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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*.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as item 2007-1 and 2007-2.

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

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, the New Mexico Legislature, the New Mexico Department of Finance and Administration, 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 & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Certified Public Accountants

Carlsbad, New Mexico
December 3, 2007

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**

Hector Balderas
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, 2007. 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, 2007.

Internal Control Over Compliance

The management of 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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Carlsbad's internal control over compliance.

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

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

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, the Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, 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 & Consulting Group, L.L.P.

**Accounting & Consulting Group, LLP
Certified Public Accountants**

Carlsbad, New Mexico
December 3, 2007

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

Schedule III
Page (1 of 2)

	CFDA Number	Federal Grantors Number	Program or Award Amount	Expenditures
U.S. Department of Homeland Security				
Public Assistance Grant Program (1)	97.029	FEMA-1514-DR-NM	\$ 136,227	\$ 157,055
Safer Grant (1)	97.029	EMW-2006-FF-04223	51,085	51,085
Fire Fighters Assistance (1)	97.029	EMW-2005-FG-05842	148,500	148,500
<i>Passed through NM State Department of Public Safety</i>				
Homeland Security Grant	97.044	2003-MU-T3-0047-CIP-CARL	226,548	102,581
Total U.S. Department of Homeland Security			<u>\$ 562,360</u>	<u>\$ 459,221</u>
U.S. Department of Energy				
Street Improvements	81.502	DE-FG29-03AL68371	<u>\$3,556,173</u>	<u>\$3,215,613</u>
U.S. Department of Housing and Urban Development				
Home Program	14.239	03-01-CAR-HOR-001	\$ 15,149	\$ -
Home Program	14.239	04-01-CAR-HOR-001	-	14,795
Total U.S. Department of Housing and Urban Development			<u>\$ 15,149</u>	<u>\$ 14,795</u>
U.S. Department of Transportation				
<i>Federal Aviation Agency</i>				
Airport Improvement Program (1)	20.106	3-35-0007-015-2005	\$ 335,058	\$ 352,148
Airport Improvement Program (1)	20.106	3-35-0007-016-2006	-	48,222
<i>Passed through NM State Highway Department</i>				
Federal Transit Capital and Operating	20.507	5311/5316(3037)	350,751	352,542
<i>Passed through NM State Department of Transportation:</i>				
Road Improvements (1)	20.205	STP-4273(901)	33,851	-
Surface Transportation Safety (TPZ) (1)	20.205	TPZ-285-1(2)36	17,097	110,984
Bridge Projects (1)	20.205	BD7615(11)	1,159,938	1,118,348
Total U.S. Department of Transportation			<u>\$1,896,695</u>	<u>\$1,982,244</u>
Corporation for National and Community Service				
Retired and Senior Volunteer Program (RSVP)	94.002	02SRWNM009	<u>\$ 40,000</u>	<u>\$ 44,466</u>
Total Federal Financial Assistance			<u>\$6,070,377</u>	<u>\$5,716,339</u>

(1) Denotes Major Program

See Independent Auditor's Report

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

Schedule III
Page (2 of 2)

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.

See Independent Auditor's Report

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Schedule IV

A. SUMMARY OF AUDIT RESULTS

<u>PROGRAM</u>	<u>DESCRIPTION</u>
Type of report on financial statements	Unqualified opinion
Significant Deficiencies	Two
Other Matters Reported Required by the State Auditor	Two
Significant Deficiencies in Internal Control over Major Programs	None
Noncompliance material to the financial statements	The level of noncompliance was not material in relation to financial statements covering federal programs
Type of Report on Compliance with major programs	Unqualified opinion
Findings and Questioned Costs for Federal Awards	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low Risk Auditee Statements	The City is classified as a low-risk auditee in context of OMB Circular A-133
Major Federal Programs	Homeland Security Grants - CFDA # 97.029 Airport Improvement Program - CFDA # 20.106 Transporation Grants - CFDA # 20.205
Pass Through Entities	New Mexico State Department of Transporation

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Schedule IV

B. FINDINGS-FINANCIAL STATEMENT AUDIT

2007-1: Stale Checks

Criteria

Chapter 7, Article 8A, NMSA 1978, Uniform Unclaimed Property Act (1995), sets forth the requirements of a holder of property to report to the administrator annually by November 1 for the prior period ending July 1 of that year. It also specifies notification requirements to the property owner.

Condition

The City has \$7,121 in old (stale) checks on its outstanding check list that have not been managed under New Mexico escheat laws.

Effect

The City could be in noncompliance with State of New Mexico unclaimed property laws resulting in property owners not being notified timely.

Cause

The City may not be aware of its responsibility under the laws of the State of New Mexico to manage unclaimed property.

Recommendation

We recommend the City review its outstanding check lists on a regular basis to eliminate stale checks and follow New Mexico laws regarding unclaimed and abandoned property.

Agency Response

The City of Carlsbad was aware of the State of New Mexico unclaimed property laws but was interpreting it differently. Since many of the stale checks are many years old and this had not been a finding previously, we thought we were in compliance. We will review the statute and create a procedure to manage stale checks.

2007-2: Preparation of Financial Statements

Criteria

According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

Condition

The financial statements and related note disclosures are not being prepared by the City.

Effect

The fact that the entity engages its auditor to prepare the draft financial statements and related note disclosures does not cause a control deficiency, however, it could be the result of a control deficiency, which could ultimately result in a material misstatement to the entity's financial statements.

Cause

The City's personnel do not have the time to prepare the financial statements and related footnote disclosures.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Schedule IV

B. FINDINGS-FINANCIAL STATEMENT AUDIT (continued)

2007-2: Preparation of Financial Statements (continued)

Recommendation

Sufficient controls over the preparation of financial statements and related note disclosures should be designed, implemented and operating effectively, to improve an entity's ability to prevent or detect a misstatement in its financial statements.

We recommend City management and personnel receive additional training on understanding the requirements of external financial reporting.

The training should include, but not be limited to:

- Selection of appropriate accounting policies:
 - Governmental Accounting Standards Board (GASB)
 - Generally Accepted Accounting Principles (specifically as applied to governmental units)
 - Financial Accounting Standards Board (FASB)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information
 - Management's discussion and analysis
- Supplementary information required by the Office of the State Auditor

In addition, we recommend that the City develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

Agency Response

We will seek additional training for the Finance Director in the requirements for external reporting. The City of Carlsbad will continue to engage the external auditor to prepare the draft financial statements and related note disclosures, but will develop and implement additional procedures to capture, review and monitor the information essential to accurate and transparent financial reporting.

2007-3: Wire Transfers

Criteria

Good accounting practices indicate that the City should establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Schedule IV

B. FINDINGS-FINANCIAL STATEMENT AUDIT (continued)

2007-3: Wire Transfers (continued)

Condition

During our examination of the City's bank reconciliation process, we noted four bank account transfers totaling \$363,178 listed as a reconciling item between two accounts. Upon further examination, we discovered that the transfers had not been initiated with the bank as of the date of audit fieldwork.

Additionally, we determined that the City lacks proper controls over the wire transfer of funds out of its accounts, allowing one employee full control over making a decision to transfer money and to authorize and initiate the transfer with the bank. There are no financial institution level controls in place restricting the accounts to which City funds can be transferred.

Effect

Assets are at risk of being allocated inappropriately, whether intentionally or unintentionally, without a proper approval process for making wire transfers.

Cause

The City lacks proper controls, including segregation of duties, over wire transfers of money out of its bank accounts.

Recommendation

We recommend the City apply similar controls as it uses in its check writing processes in order to safeguard assets. Such controls should be designed to prevent an individual employee from both approving and completing the transfer, to restrict where City funds can be transferred, and to ensure that transfer requests are timely completed and properly accounted for on the bank reconciliations.

Agency Response

Initiation and control over wire transfers transitioned to one person due to turnover of multiple staff positions. During this period, there remained a limitation on how much any person could transfer on any given day. The City of Carlsbad is currently training positions, so that once again multiple personnel will be required to initiate and approve wire transfers.

2007-4: (revision of 2006-1) Capital Asset and Depreciation Tracking System

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; Recomplied 10/01/01]

Condition

During our audit of capital assets, we noted that the tracking system reports do not include fully depreciated assets and that they include non-depreciable leased assets. The capital asset and depreciation tracking system is cumbersome, and the reports do not print in a manner that is easily traceable to the financial statements.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Schedule IV

B. FINDINGS-FINANCIAL STATEMENT AUDIT (continued)

2007-4: (revision of 2006-1) Capital Asset and Depreciation Tracking System (continued)

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.

Effect

The City may not be able to properly track its capital assets and is exposed to additional risk that errors, whether intentional or unintentional, could occur and not be detected.

Recommendation

We recommend the City improve its system so that it properly tracks capital assets and accurately generates reports that provide sufficient information to efficiently perform reconciliations of capital assets to the financial statements.

Agency Response

Improvements were added to the system for generating reports in formats that allow for easier reconciliation to the financial statements. However, in order to utilize the new formats, all existing and new items must have additional maintenance information keyed. With over 10,000 items, this task was unable to be completed prior to the audit. This task is expected to be completed before June 30, 2008.

C. FINDINGS-FEDERAL PROGRAMS

None

D. FINDINGS-PRIOR YEAR AUDIT

2006-1: Capital Assets and Depreciation Tracking System – Revised and repeated as 2007-4

STATE OF NEW MEXICO
CITY OF CARLSBAD
OTHER DISCLOSURES
Year Ended June 30, 2007

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 3, 2007. The following individuals were in attendance.

City of Carlsbad Officials

Ned Z. Elkins, Mayor Pro-Tem
Harry Burgess, City Administrator
Monica Harris, City Treasurer

Auditors

S. John Manganaro, CPA