



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO
CITY OF CARLSBAD**

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

For The Year Ended June 30, 2020

**STATE OF NEW MEXICO
CITY OF CARLSBAD
TABLE OF CONTENTS**

	Page
INTRODUCTION	
Table of Contents	i-ii
Official Roster	1
FINANCIAL SECTION	
Independent Auditor's Report	2-4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	5
Statement of Activities	6
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds	7
Reconciliation of the Governmental Funds-Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual:	
General Fund	11
Proprietary Funds Financial Statements:	
Statement of Net Position - Proprietary Funds	12
Statement of Revenues, Expenses, and Changes Fund in Net Position Proprietary Funds	13
Statement of Cash Flows - Proprietary Funds	14
Agency Funds Financial Statements:	
Statement of Fiduciary Assets and Liabilities	15
Notes to the Financial Statements	16-51
SUPPLEMENTAL INFORMATION	
Other Governmental Funds:	
Combining Balance Sheet - Other Governmental Funds	52-53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Other Governmental Funds	54-55
Combining and Individual Other Enterprise Funds Financial Statements:	
Combining Statement of Net Position - Other Enterprise Funds	56
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Other Enterprise Fund	57
Combining Statement of Cash Flows - Other Enterprise Funds	58

**STATE OF NEW MEXICO
CITY OF CARLSBAD
TABLE OF CONTENTS**

	Page
SUPPLEMENTAL INFORMATION, continued	
Combining and Individual Internal Service Funds Financial Statements:	
Combining Statement of Net Position - Internal Service Funds	59
Combining Statement of Revenue, Expenses and Changes in Fund Net Position - Internal Service Fund	60
Combining Statement of Cash Flows - Internal Service Fund	61
Agency Funds:	
Schedule of Changes in Assets and Liabilities	62
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of City of Carlsbad's Proportionate Share of the Net Pension Liability of PERA Fund Division	63
Schedule of City of Carlsbad's Contributions PERA Plan PERA Fund Division	64
Schedule of City of Carlsbad's Proportionate Share of the Net OPEB Liability	65
Schedule of City of Carlsbad's Contributions OPEB	66
OTHER SUPPLEMENTAL INFORMATION	
Schedule of Cash Accounts	67-68
Schedule of Pledge Collateral - All Financial Institutions	69-70
COMPLIANCE SECTION	
Schedule of Expenditures of Federal Awards	71
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	72-73
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	74-75
Schedule of Findings and Questioned Costs	76-77
EXIT CONFERENCE	78

**STATE OF NEW MEXICO
CITY OF CARLSBAD
OFFICIAL ROSTER**

ELECTED OFFICIALS

NAME	TITLE
Dale Janway	Mayor
Collis Johnson	Municipal Judge
Lisa Anaya Flores	City Councilor
Edward T. Rodriguez	City Councilor
Leo B. Estrada	City Councilor
Jason O. Chavez	City Councilor
Jason Shirley	City Councilor
Judith E. Waters	City Councilor
Wesley A. Carter	City Councilor
Mark C. Walterscheid	City Councilor

DEPARTMENT HEADS

NAME	TITLE
John Lowe	City Administrator
Wendy Austin	Deputy City Administrator
Kenneth Cass	Deputy City Administrator
Melissa Salcido	Director of Finance/City Treasurer
Nadine Mireles	City Clerk
Shane Skinner	Chief of Police
Richard Lopez	Fire Chief
Scot Bendixsen	Human Resources Director
Eileen P. Riordan	City Attorney
Kenneth Britt	Director of Community Development
Jeff Patterson	Director of Planning, Engineering, and Regulations Department
Wayne Hatfield	Director of Information Technology
Patrick Cass	Director of Public Works
Ron Myers	Director of Utilities
Angie Testa	Director of Municipal Services



INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
The City of Carlsbad
and
Mr. Brian S. Colón, New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the general fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the City of Carlsbad (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the general major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the City, as of June 30, 2020, and the respective

changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the City has elected to reclassify the Municipal Transit Fund from a business-type fund to a governmental-type fund for the fiscal year ended June 30, 2020. Management has determined this is a more appropriate fund type classification. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements, that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of changes in assets and liabilities, listed in the table of contents as "*Supplemental Information*", are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, listed in the table of contents under the "*Compliance Section*", is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other schedules, as required by 2.2.2 NMAC, listed as "*Other Supplemental Information*" in the table of contents, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statements and schedules, listed in the table of contents under "*Supplemental Information*", "*Other Supplemental Information*" and the "*Compliance Section*", are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the statements and schedules were fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Hinkle + Landers, PC
Albuquerque, New Mexico
December 14, 2020

**STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF NET POSITION
AS OF JUNE 30, 2020**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<u>Assets</u>			
Current assets			
Cash	\$ 57,312,317	22,800,408	80,112,725
Receivables, net	10,836,870	3,032,373	13,869,243
Inventory	-	978,699	978,699
Total current assets	<u>68,149,187</u>	<u>26,811,480</u>	<u>94,960,667</u>
Noncurrent assets			
Restricted cash	540,812	9,087,676	9,628,488
Restricted cash held by fiscal agent	496,873	370,458	867,331
Restricted investments	-	6,514,984	6,514,984
Capital assets:			
Land and construction in progress	5,743,950	1,189,108	6,933,058
Other capital assets, net of depreciation	<u>132,124,023</u>	<u>112,889,298</u>	<u>245,013,321</u>
Total noncurrent assets	<u>138,905,658</u>	<u>130,051,524</u>	<u>268,957,182</u>
Deferred outflows of resources			
Pension related	12,662,522	1,553,586	14,216,108
OPEB related	<u>1,293,707</u>	<u>168,108</u>	<u>1,461,815</u>
Total deferred outflows of resources	<u>13,956,229</u>	<u>1,721,694</u>	<u>15,677,923</u>
Total assets and deferred outflows of resources	<u>\$ 221,011,074</u>	<u>158,584,698</u>	<u>379,595,772</u>
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 1,904,886	1,669,524	3,574,410
Accrued salaries	1,595,316	282,855	1,878,171
Accrued liabilities	73,744	79,596	153,340
Unearned revenue	50,463	-	50,463
Accrued interest payable	16,830	314,862	331,692
Deposits payable	-	599,231	599,231
Current maturities of:			
Notes payable	754,757	1,730,136	2,484,893
Compensated absences	<u>839,173</u>	<u>134,418</u>	<u>973,591</u>
Total current liabilities	<u>5,235,169</u>	<u>4,810,622</u>	<u>10,045,791</u>
Noncurrent liabilities			
Notes payable	6,963,240	31,793,633	38,756,873
Compensated absences	1,459,045	192,306	1,651,351
Landfill closure and post-closure	-	549,212	549,212
Net pension liability	65,631,844	8,280,300	73,912,144
Net OPEB liability	<u>18,465,036</u>	<u>2,399,411</u>	<u>20,864,447</u>
Total noncurrent liabilities	<u>92,519,165</u>	<u>43,214,862</u>	<u>135,734,027</u>
Total liabilities	<u>97,754,334</u>	<u>48,025,484</u>	<u>145,779,818</u>
Deferred inflows of resources			
Pension related	2,785,108	377,569	3,162,677
OPEB related	<u>10,778,042</u>	<u>1,400,536</u>	<u>12,178,578</u>
Total deferred inflows of resources	<u>13,563,150</u>	<u>1,778,105</u>	<u>15,341,255</u>
<u>Net position</u>			
Net investment in capital assets	130,149,976	80,554,637	210,704,613
Restricted for:			
Special revenue	5,287,552	-	5,287,552
Debt service	-	2,932,007	2,932,007
State mandated per statutes	10,285,003	-	10,285,003
Construction and improvement	267,697	-	267,697
Endowment:			
Expendable	-	8,943,861	8,943,861
Unrestricted	<u>(36,296,638)</u>	<u>16,350,604</u>	<u>(19,946,034)</u>
Total net position	<u>109,693,590</u>	<u>108,781,109</u>	<u>218,474,699</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 221,011,074</u>	<u>158,584,698</u>	<u>379,595,772</u>

See independent auditor's report. 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, 2020**

Functions/Programs	Expenses	Program Revenues			Primary Government Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 16,600,677	480,586	1,444,406	-	(14,675,685)	-	(14,675,685)
Public safety	29,444,276	(489,126)	704,257	-	(29,229,145)	-	(29,229,145)
Public works	17,473,933	47,761	616,948	1,957,214	(14,852,010)	-	(14,852,010)
Culture and recreation	13,574,733	487,279	19,543	-	(13,067,911)	-	(13,067,911)
Health and welfare	911,033	976,441	-	-	65,408	-	65,408
Economic development	1,263,910	-	-	-	(1,263,910)	-	(1,263,910)
Interest on long-term debt	333,323	-	-	-	(333,323)	-	(333,323)
Total governmental activities	79,601,885	1,502,941	2,785,154	1,957,214	(73,356,576)	-	(73,356,576)
Business-type activities							
Joint utility	13,350,746	14,804,917	-	-	-	1,454,171	1,454,171
Solid waste	6,635,991	6,769,003	-	111,000	-	244,012	244,012
Museum	8,231	452	-	-	-	(7,779)	(7,779)
Interest on long-term debt	991,896	-	-	-	-	(991,896)	(991,896)
Total business-type activities	20,986,864	21,574,372	-	111,000	-	698,508	698,508
Total primary government	\$ 100,588,749	23,077,313	2,785,154	2,068,214	(73,356,576)	698,508	(72,658,068)
General Revenues:							
Gross receipts taxes					73,760,137	1,429,897	75,190,034
Property taxes, levied for general purposes					3,327,713	-	3,327,713
Lodgers' taxes					3,390,469	-	3,390,469
Franchise taxes					793,140	-	793,140
Public service taxes					793,376	-	793,376
Licenses and permits					539,049	-	539,049
Fines					910,733	-	910,733
Interest income					238,192	503,427	741,619
Donations					364,829	-	364,829
Donations of infrastructure					-	90,000	90,000
Miscellaneous					319,486	62,705	382,191
<i>Special item - Gain on disposal of asset</i>					137,062	3,865	140,927
Transfers					(18,201,681)	18,201,681	-
Total general revenues, special items, and transfers					66,372,505	20,291,575	86,664,080
Change in net position					(6,984,071)	20,990,083	14,006,012
Net position, beginning of year					116,876,336	87,592,351	204,468,687
Restatements					(198,675)	198,675	-
Net position, beginning of year, restated					116,677,661	87,791,026	204,468,687
Net position, end of year					\$ 109,693,590	108,781,109	218,474,699

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2020**

	General Fund (101)	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
<u>Assets</u>			
Cash	\$ 33,701,871	19,143,321	52,845,192
Receivables, net	9,288,342	1,548,529	10,836,871
Due from other funds	2,598	-	2,598
Restricted:			
Cash	-	61,940	61,940
Cash held by fiscal agent	-	496,873	496,873
Total assets	<u>\$ 42,992,811</u>	<u>21,250,663</u>	<u>64,243,474</u>
<u>Liabilities</u>			
Accounts payable	\$ 673,107	1,158,679	1,831,786
Accrued salaries	1,533,501	61,815	1,595,316
Accrued liabilities	65,214	8,530	73,744
Unearned revenue	-	50,463	50,463
Due to other funds	-	2,598	2,598
Total liabilities	<u>2,271,822</u>	<u>1,282,085</u>	<u>3,553,907</u>
Deferred inflows of resources:			
Unavailable property tax revenue	116,028	-	116,028
Unavailable charges for services	231,521	-	231,521
Total deferred inflows	<u>347,549</u>	<u>-</u>	<u>347,549</u>
<u>Fund balances</u>			
Restricted for:			
Public safety	-	1,389,953	1,389,953
Sports complex activities	-	3,897,599	3,897,599
State mandated per statutes	-	5,887,629	5,887,629
State mandated budget reserve	4,397,374	-	4,397,374
Construction and improvements	-	267,697	267,697
Committed for:			
City budget reserve	4,397,374	-	4,397,374
Subsequent years' expenditures	18,088,008	-	18,088,008
Assigned	-	8,525,700	8,525,700
Unassigned	<u>13,490,685</u>	<u>-</u>	<u>13,490,685</u>
Total fund balances	<u>40,373,440</u>	<u>19,968,578</u>	<u>60,342,018</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 42,992,811</u>	<u>21,250,663</u>	<u>64,243,474</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE TOTAL FUND BALANCE FROM THE BALANCE SHEET-
GOVERNMENTAL FUNDS TO THE TOTAL NET POSITION ON THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total fund balance, governmental funds	\$ 60,342,018
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	137,867,973
Insurance premiums paid during the issuance of bonds are not expensed in the year of issuance. These costs are capitalized, in the statement of net position and are not reported in the governmental funds.	-
Deferred outflows of resources related to pensions are applicable to future periods and, there are not reported in the funds.	13,956,229
Certain accrued interest expenses are not due and payable in the current period and, therefore not reported in the governmental funds.	(16,830)
Long-term obligations applicable to the City's governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(10,016,215)
Long-term pension obligations applicable to the City's governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(84,096,880)
Deferred inflows of resources related to pensions are applicable to future periods and, there are not reported in the funds.	(13,563,150)
Recognition of certain revenues are reflected on the full accrual basis within the statement of net position. Governmental funds recognize these revenues on the modified accrual basis. The current years revenues are property taxes, \$116,028 and charges for service, \$231,521.	347,549
Residual balances of the internal service funds are included within the governmental activities and are not reported in the governmental funds.	4,872,896
Rounding	-
Total Net Position of Governmental Activities	\$ <u><u>109,693,590</u></u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund (101)	Other Gov't Funds	Total Gov't Funds
<u>Revenues</u>			
Gross receipts taxes	\$ 65,726,431	8,033,708	73,760,139
Property taxes	3,342,529	-	3,342,529
Franchise taxes	793,140	-	793,140
Lodgers' taxes	-	3,390,469	3,390,469
Public service taxes	-	793,377	793,377
Intergovernmental:			
Federal	174,968	2,424,900	2,599,868
State	746,381	1,396,120	2,142,501
Charges for services	1,691,411	69,135	1,760,546
Licenses and permits	440,290	98,759	539,049
Contributions and donations	334,829		334,829
Fines and forfeitures	-	910,733	910,733
Interest	182,967	23,853	206,820
Donations	-	30,000	30,000
Miscellaneous	210,298	130	210,428
Total revenues	<u>73,643,244</u>	<u>17,171,184</u>	<u>90,814,428</u>
<u>Expenditures</u>			
Current:			
General government	7,854,192	1,155,217	9,009,409
Public safety	25,186,142	307,884	25,494,026
Public works	9,014,363	1,173,428	10,187,791
Culture and recreation	5,892,048	2,691,627	8,583,675
Health and welfare	583,029	-	583,029
Economic development	1,479,421	-	1,479,421
Capital outlay	7,555,716	12,522,306	20,078,022
Debt service:			
Principal	-	4,719,812	4,719,812
Interest and other charges	-	303,875	303,875
Total expenditures	<u>57,564,911</u>	<u>22,874,149</u>	<u>80,439,060</u>
Excess (deficiency) of revenues over expenditures	16,078,333	(5,702,965)	10,375,368
<u>Other financing sources (uses)</u>			
Transfers in	1,440,280	7,716,651	9,156,931
Transfers (out)	(13,319,474)	(15,036,319)	(28,355,793)
Note payable proceeds	-	4,020,000	4,020,000
Total other financing sources and (uses)	<u>(11,879,194)</u>	<u>(3,299,668)</u>	<u>(15,178,862)</u>
<u>Special item</u>			
Proceeds from sale of assets	61,731	90,000	151,731
Net change in fund balances	4,260,870	(8,912,633)	(4,651,763)
Fund balance, beginning of year	<u>36,112,570</u>	<u>28,414,143</u>	<u>64,526,713</u>
Restatement	-	467,068	467,068
Fund balance, beginning of year restated	<u>36,112,570</u>	<u>28,881,211</u>	<u>64,993,781</u>
Fund balance, end of year	<u>\$ 40,373,440</u>	<u>19,968,578</u>	<u>60,342,018</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES-GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net change in fund balances - total governmental funds:	\$ (4,651,763)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
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 recorded in capital outlay	20,072,313
Depreciation expense	(12,432,324)
Within the statement of activities, the basis of capital assets disposed of are netted with the gross proceeds to report a gain or loss. The disposal of capital assets are not considered use of financial resources and, therefore, are not reported as expenditures in the governmental funds.	
	(14,669)
Governmental funds report revenues not collected within 60 days as deferred revenues until subsequently collected. These transactions are recorded as revenues when earned in the statement of activities	
Property taxes	(14,815)
Charges for services	(257,605)
The issuance of long-term debt (notes, bonds, leases) provides current 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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas amounts are deferred and amortized in the statement of activities:	
Note proceeds received	(4,020,000)
Bond and note obligation principal payments	4,719,812
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Change in compensated absences	(255,882)
Change in accrued interest payable	15,669
Amortization of bond premium/discount	(45,117)
Pension expense	(8,146,405)
OPEB revenue (expense)	1,775,966
Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	
	(3,729,250)
Rounding	(1)
Change in net assets of governmental activities	\$ <u>(6,984,071)</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	Original Approved Budget	Final Approved Budget	Actual	Variances Favorable (Unfavorable)
<u>Revenues</u>				
Intergovernmental sources - federal	\$ 20,631	188,540	41,661	(146,879)
Intergovernmental sources - state	410,609	769,913	754,791	(15,122)
Local and state shared taxes	53,217,000	59,548,875	69,250,412	9,701,537
Property taxes	2,999,800	2,999,800	3,333,639	333,839
Franchise taxes	831,000	831,000	792,643	(38,357)
Licenses and permits	440,000	476,000	438,091	(37,909)
Fines	419,000	-	-	-
Charges for services	1,447,800	1,543,800	1,657,704	113,904
Interest	117,000	117,000	182,967	65,967
Donations	-	275,039	334,829	59,790
Other revenue	235,000	129,000	225,144	96,144
Total revenues	<u>60,137,840</u>	<u>66,878,967</u>	<u>77,011,881</u>	<u>10,132,914</u>
<u>Expenditures</u>				
Current:				
General government	11,794,952	8,700,582	8,110,433	590,149
Public safety	25,036,769	26,216,632	25,059,681	1,156,951
Public works	7,810,732	10,368,726	8,771,733	1,596,993
Health and welfare	456,964	542,820	544,546	(1,726)
Culture and recreation	6,349,701	6,709,371	5,868,491	840,880
Economic development	-	2,146,303	1,435,598	710,705
Capital outlay				
Capital outlay	1,319,366	10,367,790	7,449,408	2,918,382
Total expenditures	<u>52,768,484</u>	<u>65,052,224</u>	<u>57,239,890</u>	<u>7,812,334</u>
Excess (deficiency) of revenues over (under) expenditures	7,369,356	1,826,743	19,771,991	17,945,248
<u>Other financing sources (uses)</u>				
Transfers in	-	1,440,280	1,440,280	-
Transfers out	(3,035,000)	(13,319,474)	(13,319,474)	-
Total other financing sources (uses)	<u>(3,035,000)</u>	<u>(11,879,194)</u>	<u>(11,879,194)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>4,334,356</u>	<u>(10,052,451)</u>	<u>7,892,797</u>	<u>17,945,248</u>
Budgeted cash carryover	-	10,052,451		
Total	<u>\$ 4,334,356</u>	<u>-</u>		
<u>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</u>				
Change in fund balance (Budget Basis)			\$ 7,892,797	
To adjust applicable revenue accruals and deferrals			(3,306,906)	
To adjust applicable expenditure accruals			(325,022)	
Change in fund balance (GAAP basis)			<u>\$ 4,260,869</u>	

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF NET POSITION- PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Business - Type Activities - Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Joint Water and Sewer Fund (700)	Solid Waste Fund (720)	Other Enterprise Funds		
<u>Assets</u>					
Current assets					
Cash	\$ 14,100,003	8,687,998	12,407	22,800,408	4,467,125
Receivables, net	2,221,997	810,376	-	3,032,373	-
Inventory	978,699	-	-	978,699	-
Total current assets	<u>17,300,699</u>	<u>9,498,374</u>	<u>12,407</u>	<u>26,811,480</u>	<u>4,467,125</u>
Noncurrent assets					
Restricted cash	4,999,248	4,088,428	-	9,087,676	478,871
Restricted cash held by fiscal agent	240,493	129,965	-	370,458	-
Restricted investments	6,514,984	-	-	6,514,984	-
Capital Assets:					
Land and construction in progress	1,179,108	10,000	-	1,189,108	-
Other capital assets, net of accumulated depreciation	<u>110,345,747</u>	<u>2,543,551</u>	<u>-</u>	<u>112,889,298</u>	<u>-</u>
Total noncurrent assets	<u>123,279,580</u>	<u>6,771,944</u>	<u>-</u>	<u>130,051,524</u>	<u>478,871</u>
Deferred outflows of resources					
Pension related	1,127,913	425,673	-	1,553,586	-
OPEB related	<u>124,254</u>	<u>43,854</u>	<u>-</u>	<u>168,108</u>	<u>-</u>
Total deferred outflows of resources	<u>1,252,167</u>	<u>469,527</u>	<u>-</u>	<u>1,721,694</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 141,832,446</u>	<u>16,739,845</u>	<u>12,407</u>	<u>158,584,698</u>	<u>4,945,996</u>
<u>Liabilities</u>					
Current liabilities					
Accounts payable	\$ 1,465,314	204,210	-	1,669,524	73,100
Accrued salaries	198,772	84,083	-	282,855	-
Accrued liabilities	79,596	-	-	79,596	-
Accrued interest payable	313,235	1,627	-	314,862	-
Customer deposits	599,231	-	-	599,231	-
Current maturities of liabilities:					
Notes payable	1,613,804	116,332	-	1,730,136	-
Compensated absences	<u>89,606</u>	<u>44,812</u>	<u>-</u>	<u>134,418</u>	<u>-</u>
Total current liabilities	<u>4,359,558</u>	<u>451,064</u>	<u>-</u>	<u>4,810,622</u>	<u>73,100</u>
Noncurrent liabilities					
Notes payable	31,312,157	481,476	-	31,793,633	-
Compensated absences	151,226	41,080	-	192,306	-
Landfill closure and post-closure	-	549,212	-	549,212	-
Net pension liability	6,180,645	2,099,655	-	8,280,300	-
Net OPEB liability	<u>1,773,478</u>	<u>625,933</u>	<u>-</u>	<u>2,399,411</u>	<u>-</u>
Total noncurrent liabilities	<u>39,417,506</u>	<u>3,797,356</u>	<u>-</u>	<u>43,214,862</u>	<u>-</u>
Total liabilities	<u>43,777,064</u>	<u>4,248,420</u>	<u>-</u>	<u>48,025,484</u>	<u>73,100</u>
Deferred inflows of resources					
Pension related	282,408	95,161	-	377,569	-
OPEB related	<u>1,035,179</u>	<u>365,357</u>	<u>-</u>	<u>1,400,536</u>	<u>-</u>
Total deferred inflows of resources	<u>1,317,587</u>	<u>460,518</u>	<u>-</u>	<u>1,778,105</u>	<u>-</u>
<u>Net position</u>					
Net investment in capital assets	78,598,894	1,955,743	-	80,554,637	-
Restricted:					
Debt service	2,810,864	121,143	-	2,932,007	-
Endowment:					
Expendable	8,943,861	-	-	8,943,861	-
Unrestricted	<u>6,384,176</u>	<u>9,954,021</u>	<u>12,407</u>	<u>16,350,604</u>	<u>4,872,896</u>
Total net position	<u>96,737,795</u>	<u>12,030,907</u>	<u>12,407</u>	<u>108,781,109</u>	<u>4,872,896</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 141,832,446</u>	<u>16,739,845</u>	<u>12,407</u>	<u>158,584,698</u>	<u>4,945,996</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Business - Type Activities - Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Joint Water and Sewer Fund (700)	Solid Waste Fund (720)	Other Enterprise Funds		
<u>Operating revenues</u>					
Charges for services	\$ 14,804,917	6,769,003	452	21,574,372	6,912,923
<u>Operating expenses</u>					
Personnel services	5,724,916	2,553,906	-	8,278,822	-
Utilities	749,908	3,441	-	753,349	-
Contractual services	774,910	62,352	16	837,278	3,562,617
Repairs and maintenance	1,139,070	414,757	-	1,553,827	-
Insurance claims and expenses	-	-	-	-	6,329,387
Other supplies and expenses	760,267	2,793,525	8,215	3,562,007	1,877,778
Depreciation and amortization	4,201,675	808,010	-	5,009,685	-
Total operating expenses	<u>13,350,746</u>	<u>6,635,991</u>	<u>8,231</u>	<u>19,994,968</u>	<u>11,769,782</u>
Operating income (loss)	1,454,171	133,012	(7,779)	1,579,404	(4,856,859)
<u>Non-operating revenues (expenses)</u>					
Gross receipts taxes	-	1,429,897	-	1,429,897	-
Intergovernmental	-	111,000	-	111,000	-
Investment income	417,811	85,616	-	503,427	31,371
Miscellaneous	134,668	12,999	5,038	152,705	99,057
Gain/(loss) on sale of assets	3,865	-	-	3,865	-
Gain/(loss) on investments	-	-	-	-	-
Interest expense	<u>(981,099)</u>	<u>(10,797)</u>	<u>-</u>	<u>(991,896)</u>	<u>-</u>
Total non-operating revenue (expenses)	<u>(424,755)</u>	<u>1,628,715</u>	<u>5,038</u>	<u>1,208,998</u>	<u>130,428</u>
Income (loss) before capital contributions and transfers	1,029,416	1,761,727	(2,741)	2,788,402	(4,726,431)
<u>Capital contributions and transfers</u>					
Capital contributions	-	-	-	-	-
Transfers in	24,996,539	1,065,816	-	26,062,355	2,725,000
Transfers (out)	<u>(6,695,674)</u>	<u>(1,165,000)</u>	<u>-</u>	<u>(7,860,674)</u>	<u>(1,727,819)</u>
Total capital contributions and transfers	<u>18,300,865</u>	<u>(99,184)</u>	<u>-</u>	<u>18,201,681</u>	<u>997,181</u>
Change in net position	19,330,281	1,662,543	(2,741)	20,990,083	(3,729,250)
Net position, beginning of year	<u>77,407,514</u>	<u>10,368,364</u>	<u>15,148</u>	<u>87,791,026</u>	<u>8,602,146</u>
Net position, end of year	<u>\$ 96,737,795</u>	<u>12,030,907</u>	<u>12,407</u>	<u>108,781,109</u>	<u>4,872,896</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Business - Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Joint Water and Sewer Fund (700)	Solid Waste Fund (720)	Other Enterprise Funds	Total	
<u>Cash flows from operating activities</u>					
Cash received from customers	\$ 14,660,846	6,802,010	435	21,463,291	-
Internal activity - receipts from other funds	-	-	-	-	6,912,923
Cash payments to suppliers for goods and services	(3,749,609)	(3,075,425)	(8,661)	(6,833,695)	-
Cash payments to employees for services	(5,034,435)	(2,310,476)	-	(7,344,911)	(11,739,158)
Net cash provided (used) by operating activities	5,876,802	1,416,109	(8,226)	7,284,685	(4,826,235)
<u>Cash flows for non-capital and financing activities</u>					
Cash received from gross receipts taxes	-	1,429,897	-	1,429,897	-
Intergovernmental revenues	-	111,000	-	111,000	-
Utility deposit, grt, and miscellaneous receipts	134,668	12,999	5,038	152,705	99,057
Net transfers in (out)	18,300,865	(99,184)	-	18,201,681	997,181
Net cash provided (used) by non-capital and related financing activities	18,435,533	1,454,712	5,038	19,895,283	1,096,238
<u>Cash flows for capital and financing activities</u>					
Acquisition of capital assets	(9,929,001)	(541,584)	-	(10,470,585)	-
Principal payments on capital debt	(14,028,160)	(115,203)	-	(14,143,363)	-
Interest on capital debt	(981,099)	(10,797)	-	(991,896)	-
Net cash (used) by capital and related financing activities	(24,938,260)	(667,584)	-	(25,605,844)	-
<u>Cash flows from investing activities</u>					
Investment income	417,811	85,616	-	503,427	31,371
Purchase of investments	(206,736)	-	-	(206,736)	-
Net cash provided (used) by investing activities	211,075	85,616	-	296,691	31,371
Net increase (decrease) in cash	(414,850)	2,288,853	(3,188)	1,870,815	(3,698,626)
Cash and cash equivalents, beginning of year	19,754,594	10,617,538	15,595	30,387,727	8,644,622
Cash and cash equivalents, end of year	\$ 19,339,744	12,906,391	12,407	32,258,542	4,945,996
Displayed as					
Cash	\$ 14,100,003	8,687,998	12,407	22,800,408	4,467,125
Restricted cash	4,999,248	4,088,428	-	9,087,676	478,871
Restricted cash held be fiscal agent	240,493	129,965	-	370,458	-
Total cash	\$ 19,339,744	12,906,391	12,407	32,258,542	4,945,996
<u>Reconciliation of operating income to net cash provided by operating activities:</u>					
Operating income (loss)	\$ 1,454,171	133,012	(7,779)	1,579,404	(4,856,859)
Adjustment to reconcile operating income to net cash provided by operating activities:					
Depreciation	4,201,675	808,010	-	5,009,685	-
Landfill closure & post closure liability	-	47,925	-	47,925	-
Pension expense	795,590	280,797	-	1,076,387	-
OPEB expense/revenue	(170,573)	(60,202)	-	(230,775)	-
(Gain)/loss on disposal of capital asset	(3,865)	-	-	(3,865)	-
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(144,071)	33,007	-	(111,064)	-
(Increase) decrease in inventories	(108,445)	-	-	(108,445)	-
Increase (decrease) in accounts payable	(213,144)	150,725	(430)	(62,849)	30,624
Increase (decrease) in accrued salaries	44,439	16,728	-	61,167	-
Increase (decrease) in accrued liabilities	(52,746)	(207)	(17)	(52,970)	-
Increase (decrease) in compensated absences	73,771	6,314	-	80,085	-
Total adjustments	4,422,631	1,283,097	(447)	5,705,281	30,624
Net cash provided (used) by operating activities	\$ 5,876,802	1,416,109	(8,226)	7,284,685	(4,826,235)

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

CITY OF CARLSBAD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
AS OF JUNE 30, 2020

Assets

Cash	\$ <u>27,753</u>
------	------------------

Liabilities

Due to others	\$ <u>27,753</u>
---------------	------------------

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

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

Governmental activities, which normally are supported by truces and intergovernmental revenues, are reported separately from the business-type activities, which rely to a significant extent on fees and charges for support. The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

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

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

Property, franchise, sales, and public service tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fine and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

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

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

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

The City reports the following proprietary fund types:

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

Additionally, City reports the following fund types:

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

Agency funds are used to account for monies held by the City in a custodial capacity. These funds do not report operations or have a measurement focus.

The City reports the following Major Governmental Funds:

The *General Fund* (101,102) is the City's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property, sales and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenues. Expenditures include all costs associated with the daily operation of the City, except for items included in other funds.

The City reports the following major business-type funds:

The *Joint Water and Sewer Fund* (700) accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

limited to, administration, operations, maintenance, financing and related debt service, billing, and collection.

The *Solid Waste Fund* (720) is used to account for the provisions of solid waste disposal for the residents of the City. All activities necessary to provide such services are accounted for in this fund.

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

Special Revenue Funds

The *Airport Fund* (202) accounts for the operating and maintenance of the airport. Financing is provided by federal, state, and county grants. The fund is authorized by city council and is required by federal grants for segregating interest earned and for auditing purposes.

The *Sports Complex Fund* (300) accounts for the operation of the City's sports complex. Financing is provided from infrastructure gross receipts tax revenues. The fund is authorized by city council.

The *Local Government Corrections Fund* (350) accounts for the fees collected by the municipal judge, which are legally restricted to expenditure for jail related costs. The fund was established by local ordinance in order to comply with Section 35-14-11, NMSA 1978.

The *Fire Protection Fund* (500) accounts for proceeds of the state fire allotment, and the expenditures for public safety there from. New Mexico state law requires these funds be used to help maintain the fire department. The fund was established by local ordinance and in accordance with Section 59A-53-1, of the New Mexico State Insurance Code. Section 59A-53-8 of the code restricts the use of the funds for only the maintenance of the City's fire department.

The *Emergency Medical Services Fund* (501) accounts for the state emergency medical services grant, to be used for specific medical services provided through fire department activities. This state grant comes through the New Mexico Department of Health per EMS regulation DOH 94-11. The fund was created by local ordinance. Section 24-10A-1 to 24-10A-10, NMSA 1978 provides funds to municipalities for use in the establishment and enhancement of local emergency medical services. Section 24-10A-7, NMSA 1978 restricts expenditures from the fund for only emergency medical services.

The *Law Enforcement Protection Fund* (520) accounts for the state grant to be used for the repair and/or replacement of law enforcement equipment, according to state law, Section 29-13.1 through 29-13.9, NMSA 1978. The fund was established by local ordinance to comply with state statutes. Section 29-13-17A, NMSA 1978 limits distributions from the fund for law enforcement related expenditures, including, but not limited to, the purchase of equipment, expenses associated with advanced law enforcement planning, and training.

The *Municipal Transit Fund* (570) accounts for the receipts and disbursements of the City's transportation services. Financing is provided from federal and state grants, and customer receipts. The fund is authorized by city council and required by federal grantors for segregating interest earned and for auditing purposes.

The *Community Development Fund* (580) accounts for funds received for community development and improvements funded under New Mexico Community Development Block Grants pursuant to the U.S. Department of Housing and Urban Development Title I grant. The fund is authorized by city council.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

The *Lodgers' Tax Fund* (600,650) accounts for funds received from a special local lodgers' tax that is to be used for promotion of the City. The fund was established by local ordinance authorized by Section 3-38-13 through 3-38-24, NMSA 1978. Section 3-38-IS(E), NMSA 1978, restricts the use of the tax for advertising, publicizing and promoting, establishing and operating tourist-related attractions, facilities, and events.

Capital Project Funds

The *GRT Capital Outlay Fund* (200), is a capital projects fund that accounts for receipts and disbursements and gross receipts taxes for capital outlay projects. The fund is authorized by city council.

The *CIEP Fund* (201) accounts for the financing and acquisition of capital improvements and equipment purchases for the City. Financing is provided from the General Fund. The fund is authorized by city council.

The *Street System Improvement Fund* (320) accounts for funds receipts and disbursements for City street improvements and maintenance. Financing is provided from motor vehicle fees and state and county grants. The authority for the fund is given by section 7-1-6.27, NMSA and the City's ordinance number 389.

The *Park Improvement Fund* (550) accounts for the receipts and disbursements to build and improve parks within the City. Financing is provided from state grants. The fund is authorized by city council.

Debt Service Funds

The *GRT Capital Outlay Fund* (802) accounts for the receipts and disbursements for the payment of the 2009 revenue bonds. Financing is provided by gross receipts taxes collected in the GRT capital outlay fund. The fund is authorized by city council and is in conformance with bond covenants.

The *NM Finance Authority Loan Fund* (820) accounts for the receipts and disbursements for the repayment of loans to the New Mexico Finance Authority recorded as governmental activities. Transfers from fire protection and sports complex funds provide reserves to reduce loan obligations. The fund is authorized by city council and is in conformance with loan covenants.

The City maintains two individual agency funds. A description of each fund is as follows:

The *Municipal Court Bond Trust Fund* (920) accounts for monies held in trust by the municipal judge to reduce court fines, costs, and administrative fees. Any unused funds available after the reduction of fines and fees are returned to the defendant.

The *U.S. Department of Energy Fund* (950) accounts for monies collected and remitted to the U.S. Department of Energy.

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

The *Museum Gift Shop Fund* (750) accounts for the receipts and disbursements of the operations of the museum gift shop. The fund is authorized by city council.

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

The *Disaster Preparedness Fund* (400) accounts for unforeseen disasters such as natural disasters, emergency evacuations of citizens, and other disaster situations where the City would be required to spend funds immediately without the guarantee of future reimbursement.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

The *General Insurance Fund* (401,402) accounts for the cost of providing insurance and worker's compensation coverage and liability claims against the City. Such costs are billed to the other departments at actual cost.

The *Group Health Insurance Fund* (420) accounts for the cost of providing group health benefits to City employees. The costs are billed to employees and various departments based on a minimum premium plan for eligible participants.

D. Budgets

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

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

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

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

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

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Deposits and Investments

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

Interfund Receivables and Payables

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Inventory

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

Prepaid Items

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

Restricted Assets

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

Interfund Activity

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

Capital Assets

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

Infrastructure fixed assets consisting of roads, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Vacation Pay

Employees of the City may accrue a total of ten to thirty days of vacation per year. A maximum of seventy-five days may be accumulated for managers. A maximum of fifty days of vacation may be accumulated for administration employees compensated on an hourly basis. Union employees (USW, CPOA, & IBEW) compensated on an hourly basis may accumulate up to forty-five days of vacation, while IAFF employees may accumulate up to thirty days of vacation. Executive officers may accrue thirty-one and a half days of paid time off per year with no maximum accumulation. All vacation and time off compensation are accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in the governmental funds only if it has matured.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Sick Leave

Appointed officers do not accrue sick leave. Executive officers and those employees compensated on an hourly basis may accumulate a total of twelve days of sick leave per year. If the employee has qualified to retire under the state retirement program, employees are paid for one-third portion of the accumulated sick leave on their last day of service to the City. Accordingly, the one-third portion of the sick leave earned is accrued on the government-wide and proprietary fund financials statements. If the employee has not qualified to retire under the state retirement program, employees are not paid for the accumulated sick leave upon termination.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then.

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue.

Unavailable Revenue

The City reports unavailable revenue on its financial statements. When resources are received in advance of charges for services being earned, or in advance of any eligibility requirement, other than a time requirement being met for government-mandated or voluntary nonexchange transactions (i.e. for intergovernmental revenues), a liability is reported for the unavailable revenue.

The taxes receivable are an aggregate of uncollected amounts assessed for the current fiscal year, as well as delinquent balances carried forward from the nine preceding fiscal years. Except for taxes received in advance or under protest, tax revenue received is distributed within thirty days to other local governmental units and county funds. While some of the delinquent outstanding balances will eventually be eliminated through corrections, litigation, and other property tax administrative procedures, the majority of the balances will ultimately be realized through delinquent payment or tax sales. The aggregate amount of this ultimate realization is generally difficult to ascertain at any point in time. Thus, taxes not collected within sixty days' official year end are carried in the liability section of the balance sheet as deferred inflows of resources on the fund basis financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Long-Term Obligations

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

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

Net Position

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

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

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

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

Fund Balance Reservation and Designations

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

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

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

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

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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

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

F. Other Matters

Cash Flows

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

Use of Estimates

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

NOTE 2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

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

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

Cash Deposited with Financial Institutions

The City maintains cash in five financial institutions within Carlsbad, New Mexico. The City's deposits are carried at cost.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

As of June 30, 2020, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	Per <u>Institution</u>	Reconciling <u>Items</u>	Per Financial <u>Statements</u>
Cash on hand	\$ 7,800	-	7,800
Carlsbad National Bank	13,010,397	(117,888)	12,892,509
First American Bank	4,717,721	-	4,717,721
Pioneer Savings Bank	5,881,403	-	5,881,403
Wells Fargo Bank	53,683,107	(1,568,520)	52,114,587
Western Commerce Bank	14,161,630	(6,684)	14,154,946
Cash held by NMFA	<u>867,331</u>	<u>-</u>	<u>867,331</u>
Total	<u>\$ 91,462,058</u>	<u>(1,693,092)</u>	<u>89,768,966</u>

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

<u>Statement of Net Position</u>	<u>Amount</u>
Cash	\$ 80,112,725
Restricted	9,628,488
Restricted - held by NMFA	<u>867,331</u>
Total	<u>89,741,213</u>

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

	Carlsbad <u>National Bank</u>	First American <u>Bank</u>	Pioneer Savings <u>Bank</u>	Wells Fargo <u>Bank, N.A.</u>	Western <u>Commerce Bank</u>
Total deposits in bank	\$ 13,010,397	4,717,721	5,881,403	53,683,107	14,161,630
Less FDIC coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Uninsured public funds	12,760,397	4,467,721	5,631,403	53,433,107	13,661,630
Pledged collateral held by pledging bank's trust, but not in the City's name	<u>8,393,560</u>	<u>2,241,640</u>	<u>3,154,747</u>	<u>31,026,716</u>	<u>8,748,022</u>
Uninsured and uncollateralized public funds	<u>4,366,837</u>	<u>2,226,081</u>	<u>2,476,656</u>	<u>22,406,391</u>	<u>4,913,608</u>
Total pledged collateral	8,393,560	2,241,640	3,154,747	31,026,716	8,748,022
50% pledged collateral requirement per state statute	<u>6,380,199</u>	<u>2,233,861</u>	<u>2,815,702</u>	<u>26,716,554</u>	<u>6,830,815</u>
Pledged collateral (under) over the requirements	<u>\$ 2,013,362</u>	<u>7,780</u>	<u>339,046</u>	<u>4,310,162</u>	<u>1,917,207</u>

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2020, \$91,625,398 of the City's bank balance of \$93,125,398 was exposed to custodial credit risk as follows:

	<u>Carlsbad National Bank</u>	<u>First American Bank</u>	<u>Pioneer Savings Bank</u>	<u>Wells Fargo Bank, N.A.</u>	<u>Western Commerce Bank</u>
Uninsured and collateralized held by pledging bank's trust dept. or agent not in the City name	\$ <u>12,760,397</u>	<u>4,467,721</u>	<u>5,631,403</u>	<u>53,433,107</u>	<u>13,661,630</u>

NOTE 3. RESTRICTED CASH HELD BY FISCAL AGENT

The City has entered into various loan agreements with the New Mexico Finance Authority. As required by the loan agreements, any unexpended loan proceeds are maintained by NMFA until needed by the City. Additionally, the City is required to set aside reserve amounts for the debt obligations. As of June 30, 2020, the NMFA held \$867,331.

NOTE 4. RESTRICTED INVESTMENTS

Investments Held at Wells Fargo Bank, N.A. Las Cruces, NM

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

<u>Statement of Net Position</u>	
Restricted investments	\$ <u>6,514,984</u>

As of June 30, 2020, the restricted investments are composed of the following:

US Treasury Notes	\$ 6,329,078
Cash alternatives	<u>185,906</u>
Total	\$ <u>6,514,984</u>

The U.S. Treasury Notes all carry a Moody's rating of AAA and the City's Treasury notes reach maturity as follows: as of June 30, 2020.

<u>Market Value</u>	<u>%</u>	<u>Maturity</u>
\$ 2,092,182	33%	Less than 1 year
1,228,612	19%	1-2 years
3,008,284	48%	2-5 years
<u>-</u>	<u>0%</u>	5-7 years
\$ <u>6,329,078</u>	<u>100%</u>	

The City holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the City's mission, the City determines that the disclosures related to these investments only need to be disaggregated by major type. The City chooses a table format for the fair value disclosures.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach: this uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach: this technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach: this approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

GASB 72 establishes a hierarchy of inputs to the valuation techniques listed above.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy's three levels are as follows:

Level 1

Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. (Examples: equity securities traded on an open market, actively traded mutual funds, and US treasuries).

Level 2

Are significant other observable inputs

- a) Quoted prices for similar assets or liabilities in active markets.
- b) Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c) Inputs other than quoted prices that are observable for the asset or liability, such as:
 1. Interest rates and yield curves observable at commonly quoted intervals,
 2. Implied volatilities, and
 3. Credit spreads.
- d) Market-corroborated inputs.

(Examples: a bond valued using market corroborated inputs such as yield curves, a bond valued using matrix pricing, and an interest rate swap valued using the LIBOR swap rate observed at commonly quoted intervals for the full term of the swap).

Level 3

Are significant unobservable inputs for an asset or liability (Examples: Commercial real estate valued using a forecast of cash flows based on a university's own data and an interest rate swap valued using data that is neither directly observable nor corroborated by observable market data).

The City has the following recurring fair value measurements as of June 30:

Description	2020
	Level 1
U.S. Treasury Notes	\$ 6,329,078
Cash alternatives	185,906
Total	\$ 6,514,984

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Investments Held by Fiscal Agent

As required by note agreements with the New Mexico Finance Authority (NMFA), the City has cash held and invested with the NMFA.

NOTE 5. RECEIVABLES

Receivables, net of allowance for doubtful accounts, at June 30, 2020, consisted of the following:

<u>Types of Receivables</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<u>Accounts receivable</u>			
Charges for services	\$ 466,754	3,336,229	3,802,983
Other	49,887	367	50,254
Allowance for doubtful accounts	<u>(86,789)</u>	<u>(483,564)</u>	<u>(570,353)</u>
Total	429,852	2,853,032	3,282,884
<u>Taxes receivable</u>			
Gross receipts taxes	9,415,135	179,341	9,594,476
Franchise taxes	112,650	-	112,650
Property taxes	224,892	-	224,892
Lodgers' taxes	148,011	-	148,011
Public service taxes	58,268	-	58,268
Allowance for doubtful accounts	<u>(4,498)</u>	<u>-</u>	<u>(4,498)</u>
Total	9,954,458	179,341	10,133,799
<u>Intergovernmental receivables</u>			
Building improvement grants	133,909	-	133,909
Public safety grants	13,524	-	13,524
Infrastructure improvement grants	134,795	-	134,795
Municipal transit grants	<u>170,332</u>	<u>-</u>	<u>170,332</u>
Total	<u>452,560</u>	<u>-</u>	<u>452,560</u>
Receivables, net	<u>\$ 10,836,870</u>	<u>3,032,373</u>	<u>13,869,243</u>

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

NOTE 6. PROPERTY TAX

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

The City is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

one third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the City. The City's total tax rate to finance general government services for the year 2019, was 6.225 per \$1,000 for non-residential and 4.906 for residential property.

NOTE 7. BAD DEBT EXPENSE

Governmental Activities

During the current fiscal year, the City recorded an allowance on all receivables related to ambulance fees over 180 days, as well as an additional charge of 1%, which amounted to \$86,789 in total. Ambulance fees are reflected as public safety charges for services in the government-wide statement of activities and charges for services within the general fund.

Business-Type Activities

During the current fiscal year, the City's policy has been to record an allowance of 15% of sales. Total allowance as of June 30, 2020, is \$483,564.

NOTE 8. CAPITAL ASSETS

Capital assets for the fiscal year ended June 30, 2020, are as follows:

<u>Governmental Activities</u>	<u>Balance 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers & Adjustments</u>	<u>Reclassification</u>	<u>Balance 2020</u>
<i>Non-Depreciable Capital Assets</i>						
Land	\$ 2,003,789	-	-	-	58,760	2,062,549
Construction in progress	3,180,803	3,656,962	-	(3,413,485)	257,120	3,681,400
Total non-depreciable capital assets	5,184,592	3,656,962	-	(3,413,485)	315,880	5,743,949
<i>Capital Assets Being Depreciated</i>						
Buildings	83,773,346	2,076,009	-	1,636,649	1,064,230	88,550,234
Improvements	478,680	2,195,344	-	264,182	-	2,938,206
Infrastructure	103,349,931	8,417,424	-	1,205,066	-	112,972,421
Equipment	26,778,963	3,726,574	(156,888)	307,588	740,036	31,396,273
Total capital assets being depreciated	214,380,920	16,415,351	(156,888)	3,413,485	1,804,266	235,857,134
<i>Less Accumulated Depreciation For:</i>						
Buildings	(34,800,551)	(3,047,947)	-	-	(395,184)	(38,243,682)
Improvements	(201,501)	(97,204)	-	-	-	(298,705)
Utility System & facilities	(37,754,956)	(6,782,990)	-	-	-	(44,537,946)
Equipment	(17,649,706)	(2,504,183)	142,219	-	(641,107)	(20,652,777)
Total accumulated depreciation	(90,406,714)	(12,432,324)	142,219	-	(1,036,291)	(103,733,110)
Total capital assets being depreciated, net	123,974,206	3,983,027	(14,669)	3,413,485	767,975	132,124,024
Total capital assets, net of depreciation	\$ 129,158,798	7,639,989	(14,669)	-	1,083,855	137,867,973

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Business-type Activities</u>	Balance 2019	Additions	Deletions	Transfers & Adjustments	Reclassification	Balance 2020
<i>Non-Depreciable Capital Assets</i>						
Land and water rights	\$ 1,139,566	-	-	98,801	(58,760)	1,179,607
Construction in progress	46,820,774	9,528	-	(46,563,681)	(257,120)	9,501
	<u>47,960,340</u>	<u>9,528</u>	<u>-</u>	<u>(46,464,880)</u>	<u>(315,880)</u>	<u>1,189,108</u>
<i>Capital Assets Being Depreciated</i>						
Buildings and improvements	42,925,491	-	-	2,061,891	(1,064,230)	43,923,152
Equipment	15,167,982	1,534,999	-	761,371	(740,036)	16,724,316
Utility system	55,359,800	8,929,447	-	43,641,618	-	107,930,865
Total capital assets being depreciated	113,453,273	10,464,446	-	46,464,880	(1,804,266)	168,578,333
<i>Less Accumulated Depreciation For:</i>						
Buildings and improvements	(19,323,727)	(2,063,883)	-	-	395,184	(20,992,426)
Equipment	(11,193,765)	(1,025,451)	-	-	641,107	(11,578,109)
Utility system	(21,198,149)	(1,920,351)	-	-	-	(23,118,500)
Total accumulated depreciation	(51,715,641)	(5,009,685)	-	-	1,036,291	(55,689,035)
Total capital assets being depreciated, net	61,737,632	5,454,761	-	46,464,880	(767,975)	112,889,298
Total capital assets, net of depreciation	\$ <u>109,697,972</u>	<u>5,464,289</u>	<u>-</u>	<u>-</u>	<u>(1,083,855)</u>	<u>114,078,406</u>

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

Governmental activities

General Government	\$ 2,704,334
Public Safety	3,081,993
Public Works	3,944,405
Culture & Recreation	2,625,360
Health & Welfare	76,232
Total	\$ <u>12,432,324</u>

Business-type activities

Solid Waste	\$ 808,010
Joint Water and Sewer	4,201,675
Total	\$ <u>5,009,685</u>

NOTE 9. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2020, consisted of the following:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
State tax payable	\$ 65,214	79,596
Court related fees	8,530	-
Total	\$ <u>73,744</u>	<u>79,596</u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 10. LONG-TERM OBLIGATIONS

Changes in governmental activities obligations during the year ended June 30, 2020, were as follows:

<u>Governmental Activities</u>	<u>Balance 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclass- ification</u>	<u>Balance 2020</u>	<u>Amounts Due Within One Year</u>
Notes payable	\$ 4,572,809	4,020,000	(874,812)		7,717,997	754,757
Bonds payable	3,845,000	-	(3,845,000)	-	-	-
Less net bond premium (discount)	(45,117)	45,117	-	-	-	-
Compensated absences	1,994,432	2,064,500	(1,808,618)	47,904	2,298,218	839,173
Net pension liability	57,418,501	10,477,564	(3,219,192)	954,971	65,631,844	-
Net OPEB liability	23,724,946	-	(5,808,463)	548,553	18,465,036	-
Total	\$ <u>91,510,571</u>	<u>16,607,181</u>	<u>(15,556,085)</u>	<u>1,551,428</u>	<u>94,113,095</u>	<u>1,593,930</u>

NMFA # 4—Note Payable—Aerial Platform Truck

On July 19, 2005, the City borrowed \$1,000,000 from the New Mexico Finance Authority. The note matures on May 1, 2020 and accrues interest at rates between 1.290% and 3.850% per annum. The proceeds of the loan were used for the acquisition of a fire pumper and an aerial (ladder) platform truck. The payments of principal and interest are paid from receipts of the City's annual state fire allotment, which totaled \$527,437 for the year ended June 30, 2020. This loan was paid off in FY2020.

NMFA # 15—Note Payable—Sports Complex Loan

On December 18, 2015, the City borrowed \$5,710,429 from the New Mexico Finance Authority for the purpose of financing the design and construction of various additions and expansions to the Bob Forrest Youth Sports Complex. The bond bears a blended interest rate of 2.464178% per annum and matures on May 1, 2030. The payment of principal, premium and interest thereon, whether at maturity or on a redemption date, are paid with income derived from Municipal Infrastructure Gross Receipts Tax of .0625%, and Lodgers' Tax.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 374,757	100,979	475,736
2022	380,566	95,170	475,736
2023	387,264	88,472	475,736
2024	394,854	80,882	475,736
2025	403,146	72,590	475,736
2026-2030	<u>2,177,410</u>	<u>201,269</u>	<u>2,378,679</u>
	\$ <u>4,117,997</u>	<u>639,362</u>	<u>4,757,359</u>

2009 Public Infrastructure Projects Bonds

On July 28, 2009, the City issued bonds in the amount of \$8,550,000 for the purposes of defraying the cost of public infrastructure projects. The bond bears interest at rates between 2.00% and 4.75% per annum and matures on June 1, 2029. The payment of principal, premium and interest thereon, whether at maturity or on a redemption date, are paid with income derived from pledged gross receipts tax revenues, which totaled approximately \$73.7 million for the year ended June 30, 2020. This loan was defeased in FY2020 with NMFA Loan # PPRF-5022 in the amount of \$4,020,000. The bond defeasance resulted in total debt service savings of \$1,052,877.

NMFA Loan # PPRF-5022

On October 18, 2019, the City borrowed \$4,020,000 from the New Mexico Finance Authority for the purpose of defeasing 2009 Public Infrastructure Project Bonds. The bond bears a blended interest rate of 1.23% per annum and matures on June 1, 2029. The payment of principal, premium and interest thereon, whether at maturity or on a

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

redemption date, are paid with income derived from pledged gross receipts tax revenues, which totaled approximately \$73.7 million for the year ended June 30, 2020.

The annual requirements to amortize the bonds outstanding as of June 30, 2020, including interest payments, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 380,000	42,833	422,833
2022	390,000	38,805	428,805
2023	390,000	32,389	422,389
2024	395,000	27,993	422,993
2025	400,000	23,441	423,441
2026-2030	<u>1,645,000</u>	<u>44,200</u>	<u>1,689,200</u>
	<u>\$ 3,600,000</u>	<u>209,659</u>	<u>3,809,659</u>

Compensated Absences

City employees are entitled to certain compensated absences based on their employment classification and length of employment. A liability for unused vacation for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

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

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

Business-Type Activities

Changes in the business-type activities obligations during the year ended June 30, 2020, were as follows:

<u>Business-Type Activities</u>	<u>Balance 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclass- ification</u>	<u>Balance 2020</u>	<u>Amounts Due Within One-Year</u>
Notes payable	\$ 35,222,779	-	(1,699,010)	-	33,523,769	1,730,136
Bonds payable	12,650,000	-	(12,650,000)	-	-	-
Less net bond premium (discount)	(156,810)	156,810	-	-	-	-
Landfill closure	501,287	47,925	-	-	549,212	-
Compensated absences	294,543	311,055	(230,970)	(47,904)	326,724	134,418
Net pension liability	8,274,279	1,361,491	(400,499)	(954,971)	8,280,300	-
Net OPEB liability	<u>3,702,737</u>	<u>-</u>	<u>(754,773)</u>	<u>(548,553)</u>	<u>2,399,411</u>	<u>-</u>
Total	<u>\$ 60,488,815</u>	<u>1,877,281</u>	<u>(15,735,252)</u>	<u>(1,551,428)</u>	<u>45,079,416</u>	<u>1,864,554</u>

NMED—Note Payable—Wastewater Utility System Improvements

On April 29, 2010, the City entered into a clean water state revolving loan agreement with the New Mexico Environment Department, with a total maximum amount of \$18,000,000. As of June 30, 2018, the total balance for the loan totaled \$19,414,220 which includes interest that was rolled into the loan. The note is for twenty years and accrues interest at 2.00% per annum. The proceeds of the loan agreement will be used for improvements to the

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

City's wastewater utility system. The payments of principal and interest will be paid with net revenues from the City's water and wastewater utility system activities, which was approximately \$16.5 million for the year ended June 30, 2020.

The annual requirements to amortize this note outstanding as of June 30, 2020, including interest payments, are as follows:

	Principal	Interest	Total
2021	\$ 831,306	356,004	1,187,310
2022	847,932	339,378	1,187,310
2023	864,891	322,419	1,187,310
2024	882,189	305,121	1,187,310
2025	899,833	287,477	1,187,310
2026-2030	4,776,420	1,160,130	5,936,550
2031-2035	5,273,554	662,996	5,936,550
Thereafter	3,424,063	137,867	3,561,930
Total	\$ 17,800,188	3,571,391	21,371,580

NMFA # 11—Note Payable—Drinking Water Loan

On November 22, 2013, the City entered into a drinking water state revolving loan fund agreement with the New Mexico Finance Authority, with a total amount of \$20,200,000 of which the loan portion of the agreement is a maximum of \$16,151,670. The note is for twenty years and accrues interest at 2.00% per annum. The proceeds of the loan agreement will be used for improvements to the City's Double Eagle water line system. The payments of principal and interest will be paid with net revenues from the City's water utility system activities, which was approximately \$16.5 million for the year ended June 30, 2020.

The annual requirements to amortize this note outstanding as of June 30, 2020, including interest payments, are as follows:

	Principal	Interest	Total
2021	\$ 686,376	288,174	974,550
2022	700,103	274,714	974,817
2023	714,105	260,988	975,093
2024	728,387	246,986	975,373
2025	742,955	232,704	975,659
2026-2030	3,943,697	939,084	4,882,781
2031-2035	4,354,158	536,668	4,890,826
Thereafter	1,866,018	111,596	1,977,614
Total	\$ 13,735,799	2,890,914	16,626,713

NMFA # 10—Note Payable—Double Eagle Waterline Improvements

On June 18, 2010, the City entered into a water project loan and subsidy agreement with the New Mexico Water Trust Board, financed by the New Mexico Finance Authority, with a total amount of \$1,500,000, of which the loan portion of the agreement is a maximum of \$300,000. The note matures on June 1, 2030 and does not accrue interest. The note accrues an administrative fee of .25% per annum. The proceeds of the loan and subsidy agreement will be used for water line improvements to the Double Eagle system. The payments of principal and interest will be paid from net revenues from the City's water and wastewater utility system activities, which was approximately \$16.5 million for the year ended June 30, 2020.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

The annual requirements to amortize the loan outstanding as of June 30, 2020, including interest payments, are as follows:

	<u>Principal</u>	<u>Admin Fee</u>	<u>Total</u>
2021	\$ 15,017	417	15,434
2022	15,055	380	15,435
2023	15,092	342	15,434
2024	15,130	305	15,435
2025	15,168	267	15,435
2026-2030	<u>76,411</u>	<u>765</u>	<u>77,176</u>
Total	<u>\$ 151,873</u>	<u>2,476</u>	<u>154,349</u>

NMFA # 13—Note Payable—Solid Waste Grappler Trucks

On March 20, 2015, the City borrowed \$1,165,267 from the New Mexico Finance Authority. The note matures on May 1, 2025 and accrues interest at a rate of 1.449%. The proceeds of the loan were used for the purchase of new solid waste equipment, including grapppler trucks. The payments of principal and interest are paid from the net revenues of the City's solid waste disposal activities, which was approximately \$7.3 million for the year ended June 30, 2020.

The annual requirements to amortize the loan outstanding as of June 30, 2020, including interest payments, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 116,332	9,760	126,092
2022	117,705	8,271	125,976
2023	119,317	6,540	125,857
2024	121,191	4,548	125,739
2025	<u>123,263</u>	<u>2,354</u>	<u>125,617</u>
Total	<u>\$ 597,808</u>	<u>31,473</u>	<u>629,281</u>

NMFA # 14—Note Payable—Water Storage/Conveyance

On May 1, 2015, the City entered into a water loan and subsidy agreement with the New Mexico Water Trust Board, financed by the New Mexico Finance Authority, with a total amount of \$1,500,000, of which the loan portion of the agreement is a maximum of \$600,000. The note matures on June 1, 2035 and does not accrue interest. The note accrues an administrative fee of .25% per annum. The proceeds of the loan and subsidy agreement will be used for water storage and conveyance. The payments of principal and interest will be paid from net revenues from the City's water and wastewater utility system activities, which was approximately \$16.5 million for the year ended June 30, 2020.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

The annual requirements to amortize the loan outstanding as of June 30, 2020, including interest payments, are as follows:

	Principal	Interest	Total
2021	\$ 29,668	1,132	30,800
2022	29,742	1,058	30,800
2023	29,816	984	30,800
2024	29,891	909	30,800
2025	29,966	834	30,800
2026-2030	150,956	3,044	154,000
2031-2035	152,852	1,148	154,000
Total	\$ 452,891	9,109	462,000

NMFA # 16—Note Payable—Water Conservation Recycle

On March 1, 2016, the City entered into a water loan and subsidy agreement with the New Mexico Water Trust Board, financed by the New Mexico Finance Authority, with a total amount of \$2,500,000, of which the loan portion of the agreement is a maximum of \$1,000,000. The note matures on June 1, 2035 and does not accrue interest. The note accrues an administrative fee of .25% per annum. The proceeds of the loan and subsidy agreement will be used for water conservation or recycling treatment or reuse of water as provided by law. The payments of principal and interest will be paid from net revenues from the City's water and wastewater utility system activities, which was approximately \$16.5 million for the year ended June 30, 2020.

The annual requirements to amortize the loan outstanding as of June 30, 2020, including interest payments, are as follows:

	Principal	Interest	Total
2021	\$ 51,437	1,963	53,400
2022	51,566	1,834	53,400
2023	51,695	1,705	53,400
2024	51,824	1,576	53,400
2025	51,954	1,446	53,400
2026-2030	261,723	5,277	267,000
2031-2035	265,011	1,989	267,000
Total	\$ 785,210	15,790	801,000

2009 Advance Refunding Bonds

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

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

principal, premium, and interest thereon, whether at maturity or on a redemption date, are paid with income derived from the operation of the joint water and sewer system. This loan was paid in full in FY2020.

Landfill Closure and Post-Closure Costs

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

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

The estimated total current cost of the landfill closure and post-closure care of \$3,899,245 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, 2020. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in state and federal landfill laws and regulations. The estimated remaining site life is approximately 72 years.

The City is required by the state of New Mexico Environmental Regulation Board to demonstrate financial assurance for the post-closure costs. The following calculation details the current amount recognized for landfill closure and post closure care as of June 30, 2020:

Estimated landfill closure cost	\$	2,600,479
Estimated landfill post-closure care cost		<u>1,298,766</u>
Total estimated closure and post-closure costs	\$	<u>3,899,245</u>
FY20 tonnage received		121,181
conversion to compacted cubic yards in-place		<u>2</u>
Cubic yards	\$	<u>242,362</u>
FY20 capacity used to date		3,685,415
FY19 tonnage received/capacity used		<u>242,362</u>
FY19 capacity used to date	\$	<u>3,927,777</u>
Total capacity used to date (approximately 3,927,777 gate cubic yards) as a percentage of total capacity (13,943,056 gate cubic yards including expansion)		<u>28.17%</u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Total estimated closure and post-closure costs	3,899,245
Total capacity used to date	<u>28.17%</u>
Estimated closure and post-closure care costs	\$ <u>1,098,422</u>
Estimated closure and post-closure care costs	1,098,422
Prior year liability	<u>1,002,573</u>
Decrease in estimated liability	\$ <u>95,849</u>
City of Carlsbad's portion (50%)	\$ <u>47,925</u>
Prior year liability recognized	501,287
Increase/decrease in estimated liability	<u>47,925</u>
Estimated liability for the fiscal year ended June 30, 2020	\$ <u>549,212</u>

NOTE 11. RESTATEMENTS OF NET POSITION AND FUND BALANCES

The following adjustments have been made to the beginning equity amounts of both the government-wide and the individual fund statements. An explanation of the restatements is as follows:

	Governmental Activities	Business-Type Activities	Individual Funds
<u>Government-Wide Financial Statements</u>			
Business-type fund (Municipal Transit) converted from proprietary to governmental fund	\$ (198,675)	198,675	-
<u>Non-Major Funds</u>			
<u>Municipal Transit Fund (570)</u>			
Converted from a proprietary to governmental fund	-	-	467,068
	\$ <u>(198,675)</u>	<u>198,675</u>	<u>467,068</u>

NOTE 12. PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

General Information about the Pension Plan

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

Benefits Provided - Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for postretirement survivors' annuities are also available.

TIER II – The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions – See PERA's Comprehensive Annual Financial Report for Contribution Provided Description

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$73,912,144 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2019 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2019. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2019. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's proportion was 2.3412%, which was a decrease of 0.2846% from its proportion measured as of June 30, 2018.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

For PERA Fund Division; Municipal General Division, at June 30, 2020, the City reported a liability of \$33,081,310 for its proportionate share of the net pension liability. At June 30, 2019, the City's proportion was 1.9110%, which was a decrease of 0.0456% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized PERA Fund Division; Municipal General Division pension expense of \$6,419,236.

At June 30, 2020, the City reported PERA Fund Division; Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

<u>Municipal General Division</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 991,840	357,866
Changes of assumptions	1,475,078	81,478
Net difference between projected and actual earnings on pension plan investments	1,114,750	-
Change in proportion and differences between the City contributions and proportionate share of contributions	684,263	562,307
The City contributions subsequent to the measurement date	<u>1,829,342</u>	<u>-</u>
Total	<u>\$ 6,095,273</u>	<u>1,001,651</u>

\$1,829,342 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2021	\$ 1,795,828
2022	902,053
2023	382,992
2024	183,407
2025	-
Thereafter	<u>-</u>
	<u>\$ 3,264,280</u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

For PERA Fund Division; Municipal Police Division, at June 30, 2020, the City reported a liability of \$16,207,137 for its proportionate share of the net pension liability. At June 30, 2019, the City's proportion was 2.1941%, which was an increase of 0.2064% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized PERA Fund Division; Municipal Police Division pension expense of \$3,142,013.

At June 30, 2020, the City reported PERA Fund Division; Municipal Police Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

<u>Municipal Police Division</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 677,087	690,398
Changes of assumptions	919,310	41,234
Net difference between projected and actual earnings on pension plan investments	506,101	
Change in proportion and differences between the City contributions and proportionate share of contributions	992,107	257,743
The City contributions subsequent to the measurement date	<u>921,389</u>	<u>-</u>
Total	<u>\$ 4,015,994</u>	<u>989,375</u>

\$921,389 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2021	\$ 743,448
2022	743,315
2023	535,408
2024	83,059
2025	-
Thereafter	<u>-</u>
	<u>\$ 2,105,230</u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

For PERA Fund Division; Municipal Fire Division, at June 30, 2020, the City reported a liability of \$24,623,697 for its proportionate share of the net pension liability. At June 30, 2019, the City's proportion was 3.5830%, which was an increase of 0.3122% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized PERA Fund Division; Municipal Fire Division pension expense of \$3,593,789.

At June 30, 2020, the City reported PERA Fund Division; Municipal Fire Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

<u>Municipal Fire Division</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 418,205	778,128
Changes of assumptions	675,584	38,961
Net difference between projected and actual earnings on pension plan investments	393,777	-
Change in proportion and differences between the City contributions and proportionate share of contributions	1,572,854	354,563
The City contributions subsequent to the measurement date	<u>1,044,420</u>	<u>-</u>
Total	<u>\$ 4,104,840</u>	<u>1,171,652</u>

\$1,044,420 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2021	\$ 500,843
2022	668,588
2023	655,068
2024	64,269
2025	-
Thereafter	<u>-</u>
	<u>\$ 1,888,768</u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Actuarial assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA Fund	
Actuarial Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Period	Level Percentage of Pay
Asset Valuation Method	Solved for based on statutory rates
Actuarial Assumptions:	
Investment Rate of Return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	3.00%
Projected Salary increases	3.25% to 13.50% annual rate
Includes Inflation at	2.50%
	2.75% all other years
Mortality Assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience study dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2013 through June 30, 2017 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2019. These assumptions were adopted by the Board use in the June 30, 2018 actuarial valuation.

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

All Funds - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	42.33%	7.48%
Risk Reduction & Mitigation	21.37%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include Real Estate Equity	20.00%	6.48%
Multi-Risk Allocation	1.30%	
Total	100.0%	

Discount rate – A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2019. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

<u>PERA Fund Division -</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Municipal General Division	\$ 50,033,486	\$ 33,081,310	\$ 19,055,655
Municipal Police Division	\$ 24,526,546	\$ 16,207,137	\$ 9,420,066
Municipal Fire Division	\$ 32,634,079	\$ 24,623,697	\$ 18,059,007

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERA financial reports, available at <http://www.nmpera.org/>.

Payable to the pension plan - At June 30, 2020, the City reported a payable of \$150,202 for outstanding contributions due to NMPERA for the year ended June 30, 2020.

NOTE 13. STATE RETIREE HEALTH CARE PLAN CONTRIBUTIONS

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

The City's contributions to the RHCA for the following years is identified below:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
City Contributions	\$ 605,827	\$ 567,564	\$ 539,021

NOTE 14. OPEB

General Information about the OPEB/RHCA

Plan description - Employees of the City are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

Benefits provided - The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms – At June 30, 2019, the Fund's measurement date, the following employees were covered by the benefit terms:

<u>Plan membership</u>	
Current retirees and surviving spouses	52,179
Inactive and eligible for deferred benefit	10,916
Current active members	<u>91,082</u>
	<u>154,177</u>
<u>Active membership</u>	
State general	17,097
State police and corrections	1,830
Municipal general	17,538
Municipal police	3,159
Municipal FTRE	1,966
Educational Retirement Board	<u>49,492</u>
	<u>91,082</u>

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the City were \$605,827 for the year ended June 30, 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB – At June 30, 2020, the City reported a liability of \$20,864,447 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2019. At June 30, 2019, the City's proportion was 0.64349 percent.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

For the year ended June 30, 2020, the City recognized OPEB income of \$1,400,914. At June 30, 2020 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	5,250,555
Changes of assumptions	-	6,734,035
Net difference between actual and projected earnings on OPEB plan investments	-	193,987
Change in proportion	855,989	-
Contributions subsequent to the measurement date	<u>605,827</u>	<u>-</u>
Total	<u>\$ 1,461,816</u>	<u>12,178,577</u>

Deferred outflows of resources totaling \$605,827 represent City contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2021	\$ (3,098,380)
2022	(3,098,380)
2023	(2,680,021)
2024	(1,583,142)
2025	(862,665)
Thereafter	<u>-</u>
Total	\$ (11,322,588)

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB, 2.50% for PERA
Projected payroll increases	3.25% to 13.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare and medical plans
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members : RP-2014 Combined Healthy Mortality

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	2.10%
U.S. equity - large cap	7.10%
Non U.S. - emerging markets	10.20%
Non U.S. - developed equities	7.80%
Private equity	11.80%
Credit and structured finance	5.30%
Real estate	4.90%
Absolute return	4.10%
U.S. equity - small/mid cap	7.10%
Total	<u>100.0%</u>

Discount Rate. The discount rate used to measure the Fund's total OPEB liability is 4.16% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2039. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2039. The index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher was used beyond 2039, resulting in a blended discount rate of 4.16%.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.16 percent) or 1-percentage-point higher (5.16 percent) than the current discount rate:

<u>1% Decrease (3.16%)</u>	<u>Current Discount (4.16%)</u>	<u>1% Increase (5.16%)</u>
\$ 25,522,248	\$ 20,864,447	\$ 17,202,978

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
\$ 17,370,997	\$ 20,864,447	\$ 23,661,449

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2019.

Payable Changes in the Net OPEB Liability. At June 30, 2020, the City reported a payable of \$23,898 for outstanding contributions due to NMRHCA for the year ended June 30, 2020.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 15. COMMITMENTS

The City has the following construction projects, which are evidenced by contractual arrangements with construction contractors, as of June 30, 2020:

Commitments of Governmental-type Activities

<u>Project</u>	<u>Contract Amount</u>	<u>Spent to Date</u>	<u>Commitment Remaining</u>	<u>Percentage Complete</u>
FY20 - City Clerk - Document Management	\$ 160,000	17,926	142,074	11%
FY20 - Exterior Paint/Construction-Rec	99,010	6,459	92,551	7%
FY20 - Ambulance	270,000	17,504	252,496	6%
FY20 - A-1/PFA Remodel-Garage	75,000	31,448	43,552	42%
FY20 - Fire Station 2 Remodel	60,000	12,917	47,083	22%
FY20 - Driving Range Lighting	50,000	20,074	29,926	40%
FY20 - Beack Parking Lot	13,000	10,121	2,879	78%
FY20 - Hard Stands on Ramp - Airport	160,000	7,268	152,732	5%
FY20 - Tyler Intergov	600,000	178,874	421,126	30%
FY20 - Mobile Cemetery Web Services	50,000	23,725	26,275	47%
CO - Fire Station	1,485,000	1,338,031	146,969	90%
FY20 - Fence Drainage Pond	17,000	13,163	3,837	77%
FY20 - Beack Parking Lot Upgrades	200,000	50,065	149,935	25%
FY20 - Council Chamber Remodel	165,000	1,927	163,073	1%
CO - Fire Station	400,000	400,000	-	100%
FY20 - Street Projects	202,668	202,668	-	100%
FY20 - Storm Drain - Riverside Dr.	150,000	30,154	119,846	20%
CO - Health Facility	1,033,460	740,572	292,888	72%
CO - Electrical Upgrade at the Beach	100,000	28,896	71,104	29%
CO - Fire Station	882,285	450,827	431,458	51%
FY20 - PRV Kitchen Remodel	40,300	4,183	36,117	10%
FY20 - PRV Boat Dock	148,385	1,615	146,770	1%
FY20 - Cavern Theater	3,041,430	18,117	3,023,313	1%
CO - Potash Park Museum	203,097	64,024	139,073	32%
CO - Cascade Sign	60,000	8,328	51,672	14%
CO - Covered Shelter - PRV	24,000	2,514	21,486	10%
	<u>\$ 9,689,635</u>	<u>3,681,400</u>	<u>6,008,235</u>	

Commitments of Business-type Activities

<u>Project</u>	<u>Contract Amount</u>	<u>Spent to Date</u>	<u>Commitment Remaining</u>	<u>Percentage Complete</u>
CO - Reservoir #2	\$ 133,404	9,501	123,903	93%

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Operating Lease Commitments

The City is the lessee in various operating type leases involving copiers, scanners, and grounds maintenance equipment due in either monthly or quarterly payments. The leases expire in various years through fiscal year 2023. Total operating lease expense for the year ended June 30, 2020 was approximately \$392,336 and was apportioned between governmental and business type activities.

Year Ended June 30,	Amount
2021	\$ 259,566
2022	100,917
2023	5,158
2024	-
2025	-
	\$ 365,641

NOTE 16. RISK MANAGEMENT

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

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

NOTE 17. CONTINGENT LIABILITIES

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

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

NOTE 18. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

1. Deficit Fund Balance/Net Position of Individual Funds:
There were no deficit fund balances for the year ended June 30, 2020.
2. Excess of Expenditures Over Appropriations
There were no funds that exceeded approved budgetary authority for the year ended June 30, 2020.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

3. Designated Cash Appropriations

There were no funds that exceeded approved designated cash appropriations for the year ended June 30, 2020.

NOTE 19. INTERFUND TRANSFERS

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

	Transfers In	Transfers Out
General Fund	\$ 1,440,280	(13,319,474)
Solid Waste Fund	1,065,816	(1,165,000)
Joint Water & Sewer Fund	24,996,539	(6,695,674)
Other Governmental Funds	7,716,651	(15,036,319)
Other Enterprise Funds	-	-
Internal Service Funds	2,725,000	(1,727,819)
Total	\$ 37,944,286	(37,944,286)

NOTE 20. DUE TO/FROM

The City records temporary interfund receivables and payables to enable funds to operate until funds can be repaid. All interfund balances are to be repaid within one year.

	Due to	Due from
General Fund	\$ -	2,598
Park Improvement	(2,598)	-
Total	\$ (2,598)	2,598

NOTE 21. GASB 77 DISCLOSURE

The City has no tax abatement agreements as of June 30, 2020, and therefore no disclosures under GASB 77 are required.

SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEETS
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2020**

	Special Revenue Funds									
	Airport Fund (202)	Sports Complex Fund (300)	Local Government Corrections Fund (350)	Fire Protection Fund (500)	Emergency Medical Services Fund (501)	Law Enforcement Protection Fund (520)	Municipal Transit Fund (570)	Community Development Fund (580)	Lodgers' Tax Fund (600,650)	Total Special Revenue Funds
<u>Assets</u>										
Cash	\$ 640,905	3,259,143	1,011,101	598,675	28,651	6,549	145,953	-	5,376,154	11,067,131
Receivables, net	135,196	358,693	-	-	-	-	170,658	5,000	148,011	817,558
Restricted assets:										
Restricted cash	-	-	-	-	-	-	61,940	-	-	61,940
Cash held by fiscal agent	-	318,322	-	-	-	-	-	-	-	318,322
Total assets	<u>\$ 776,101</u>	<u>3,936,158</u>	<u>1,011,101</u>	<u>598,675</u>	<u>28,651</u>	<u>6,549</u>	<u>316,611</u>	<u>66,940</u>	<u>5,524,165</u>	<u>12,264,951</u>
<u>Liabilities</u>										
Accounts payable	\$ 394,645	14,483	17,100	168,341	-	-	11,175	-	95,521	701,265
Accrued salaries	-	24,076	-	-	-	-	37,739	-	-	61,815
Accrued liabilities	-	-	8,530	-	-	-	-	-	-	8,530
Unearned revenue	50,463	-	-	-	-	-	-	-	-	50,463
Due to other funds	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>445,108</u>	<u>38,559</u>	<u>25,630</u>	<u>168,341</u>	<u>-</u>	<u>-</u>	<u>48,914</u>	<u>-</u>	<u>95,521</u>	<u>822,073</u>
<u>Fund Balances</u>										
Restricted for:										
Public safety	330,993	-	985,471	-	-	6,549	-	66,940	-	1,389,953
Sports complex activities	-	3,897,599	-	-	-	-	-	-	-	3,897,599
State mandated per statutes	-	-	-	430,334	28,651	-	-	-	5,428,644	5,887,629
Public works	-	-	-	-	-	267,697	-	-	-	267,697
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>330,993</u>	<u>3,897,599</u>	<u>985,471</u>	<u>430,334</u>	<u>28,651</u>	<u>6,549</u>	<u>267,697</u>	<u>66,940</u>	<u>5,428,644</u>	<u>11,442,878</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 776,101</u>	<u>3,936,158</u>	<u>1,011,101</u>	<u>598,675</u>	<u>28,651</u>	<u>6,549</u>	<u>316,611</u>	<u>66,940</u>	<u>5,524,165</u>	<u>12,264,951</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEETS
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2020**

	Capital Project Funds					Debt Service Fund			Total Other Gov't Funds
	GRT Capital Outlay (200)	CIEP Fund (201)	Street System Improvement Fund (320)	Park Improvement Fund (550)	Total Capital Project Funds	GRT Capital Outlay Fund (802)	NMFA Loan Fund (820)	Total Debt Service Funds	
<u>Assets</u>									
Cash	\$ 848,758	5,260,038	1,471,586	-	7,580,382	495,808	-	495,808	19,143,321
Receivables, net	668,054	-	56,069	6,848	730,971	-	-	-	1,548,529
Restricted assets:					-				
Restricted cash	-	-	-	-	-	-	-	-	61,940
Cash held by fiscal agent	-	-	-	-	-	-	178,551	178,551	496,873
Total assets	<u>\$ 1,516,812</u>	<u>5,260,038</u>	<u>1,527,655</u>	<u>6,848</u>	<u>8,311,353</u>	<u>495,808</u>	<u>178,551</u>	<u>674,359</u>	<u>21,250,663</u>
<u>Liabilities</u>									
Accounts payable	\$ -	377,191	80,223	-	457,414	-	-	-	1,158,679
Accrued salaries	-	-	-	-	-	-	-	-	61,815
Accrued interest payable	-	-	-	-	-	-	-	-	8,530
Unearned revenue	-	-	-	-	-	-	-	-	50,463
Due to other funds	-	-	-	2,598	2,598	-	-	-	2,598
Total liabilities	<u>-</u>	<u>377,191</u>	<u>80,223</u>	<u>2,598</u>	<u>460,012</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,282,085</u>
<u>Fund Balances</u>									
Restricted for:									
Public safety	-	-	-	-	-	-	-	-	1,389,953
Sports complex activities	-	-	-	-	-	-	-	-	3,897,599
State mandated per statutes	-	-	-	-	-	-	-	-	5,887,629
Construction and improvements	-	-	-	-	-	-	-	-	267,697
Assigned	1,516,812	4,882,847	1,447,432	4,250	7,851,341	495,808	178,551	674,359	8,525,700
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>1,516,812</u>	<u>4,882,847</u>	<u>1,447,432</u>	<u>4,250</u>	<u>7,851,341</u>	<u>495,808</u>	<u>178,551</u>	<u>674,359</u>	<u>19,968,578</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,516,812</u>	<u>5,260,038</u>	<u>1,527,655</u>	<u>6,848</u>	<u>8,311,353</u>	<u>495,808</u>	<u>178,551</u>	<u>674,359</u>	<u>21,250,663</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Funds									
	Airport Fund (202)	Sports Complex Fund (300)	Local Government Corrections Fund (350)	Fire Protection Fund (500)	Emergency Medical Services Fund (501)	Law Enforcement Protection Fund (520)	Municipal Transit Fund (570)	Community Development Fund (580)	Lodgers' Tax Fund (600,650)	Total Special Revenue Funds
Revenues										
Gross receipts taxes	\$ -	2,859,859	-	-	-	-	-	-	-	2,859,859
Lodgers' taxes	-	-	-	-	-	-	-	3,390,469	-	3,390,469
Public service taxes	-	-	-	-	-	-	-	-	-	-
Intergovernmental:										
Federal	1,940,815	-	-	-	28,448	-	450,637	5,000	-	2,424,900
State	166,311	-	-	527,437	20,000	69,000	-	-	-	782,748
Charges for services	14,292	7,082	-	-	-	-	47,761	-	-	69,135
Donations	-	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	910,733	-	-	-	-	-	-	910,733
Interest	-	6,659	-	-	-	-	-	-	-	6,659
Miscellaneous	-	130	-	-	-	-	-	-	-	130
Total revenues	<u>2,121,418</u>	<u>2,873,730</u>	<u>910,733</u>	<u>527,437</u>	<u>48,448</u>	<u>69,000</u>	<u>498,398</u>	<u>5,000</u>	<u>3,390,469</u>	<u>10,444,633</u>
Expenditures										
Current:										
General government	-	-	-	-	-	-	-	-	-	-
Public safety	14,851	-	226,678	4,919	-	61,436	-	-	-	307,884
Public works	-	-	-	-	-	-	1,165,522	-	-	1,165,522
Culture and recreation	-	1,032,586	-	-	-	-	-	-	1,618,473	2,651,059
Capital outlay	2,387,159	297,581	-	470,472	19,994	-	-	38,160	1,961,576	5,174,942
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>2,402,010</u>	<u>1,330,167</u>	<u>226,678</u>	<u>475,391</u>	<u>19,994</u>	<u>61,436</u>	<u>1,165,522</u>	<u>38,160</u>	<u>3,580,049</u>	<u>9,299,407</u>
Excess (deficiency) of revenues over expenditures	(280,592)	1,543,563	684,055	52,046	28,454	7,564	(667,124)	(33,160)	(189,580)	1,145,226
Other financing sources (uses)										
Transfers in	850,000	29,430	-	-	-	-	693,428	100,000	-	1,672,858
Transfers (out)	-	(475,736)	-	(87,048)	-	-	(27,000)	-	-	(589,784)
Note payable proceeds	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>850,000</u>	<u>(446,306)</u>	<u>-</u>	<u>(87,048)</u>	<u>-</u>	<u>-</u>	<u>666,428</u>	<u>100,000</u>	<u>-</u>	<u>1,083,074</u>
Special item										
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-
Net change in fund balance	<u>569,408</u>	<u>1,097,257</u>	<u>684,055</u>	<u>(35,002)</u>	<u>28,454</u>	<u>7,564</u>	<u>(696)</u>	<u>66,840</u>	<u>(189,580)</u>	<u>2,228,300</u>
Fund balance, beginning of year	(238,415)	2,800,342	301,416	465,336	197	(1,015)	(198,675)	100	5,618,224	8,747,510
Restatement	-	-	-	-	-	-	467,068	-	-	467,068
Fund balance, beginning of year, restated	<u>(238,415)</u>	<u>2,800,342</u>	<u>301,416</u>	<u>465,336</u>	<u>197</u>	<u>(1,015)</u>	<u>268,393</u>	<u>100</u>	<u>5,618,224</u>	<u>9,214,578</u>
Fund balance, end of year	<u>\$ 330,993</u>	<u>3,897,599</u>	<u>985,471</u>	<u>430,334</u>	<u>28,651</u>	<u>6,549</u>	<u>267,697</u>	<u>66,940</u>	<u>5,428,644</u>	<u>11,442,878</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Capital Project Funds				Debt Service Funds				Total Other Gov't Funds
	GRT Capital Outlay (200)	CIEP Fund (201)	Street System Improvement Fund (320)	Park Improvement Fund (550)	Total Capital Project Funds	GRT Capital Outlay Fund (802)	NMFA Loan Fund (820)	Total Debt Service Funds	
<u>Revenues</u>									
Gross receipts taxes	\$ 5,173,849	-	-	-	5,173,849	-	-	-	8,033,708
Lodgers' taxes	-	-	-	-	-	-	-	-	3,390,469
Public service taxes	-	-	793,377	-	793,377	-	-	-	793,377
Intergovernmental:									
Federal	-	-	-	-	-	-	-	-	2,424,900
State	-	419,579	177,393	16,400	613,372	-	-	-	1,396,120
Charges for services	-	-	-	-	-	-	-	-	69,135
Donations	-	-	30,000	-	30,000	-	-	-	30,000
Licenses and permits	-	-	98,759	-	98,759	-	-	-	98,759
Fines and forfeitures	-	-	-	-	-	-	-	-	910,733
Interest	290	9,674	2,014	-	11,978	-	5,216	5,216	23,853
Miscellaneous	-	-	-	-	-	-	-	-	130
Total revenues	5,174,139	429,253	1,101,543	16,400	6,721,335	-	5,216	5,216	17,171,184
<u>Expenditures</u>									
Current:									
General government	155,217	1,000,000	-	-	1,155,217	-	-	-	1,155,217
Public safety	-	-	-	-	-	-	-	-	307,884
Public works	-	-	7,906	-	7,906	-	-	-	1,173,428
Culture and recreation	-	-	-	40,568	40,568	-	-	-	2,691,627
Capital outlay	469,670	5,693,079	1,184,615	-	7,347,364	-	-	-	12,522,306
Debt service:									
Principal	-	-	-	-	-	-	4,719,812	4,719,812	4,719,812
Interest and other charges	-	-	-	-	-	41,049	262,826	303,875	303,875
Total expenditures	624,887	6,693,079	1,192,521	40,568	8,551,055	41,049	4,982,638	5,023,687	22,874,149
Excess (deficiency) of revenues over expenditures	4,549,252	(6,263,826)	(90,978)	(24,168)	(1,829,720)	(41,049)	(4,977,422)	(5,018,471)	(5,702,965)
<u>Other financing sources (uses)</u>									
Transfers in	3,000,000	1,500,000	-	-	4,500,000	496,535	1,047,258	1,543,793	7,716,651
Transfers (out)	(9,446,535)	(5,000,000)	-	-	(14,446,535)	-	-	-	(15,036,319)
Note payable proceeds	-	-	-	-	-	-	4,020,000	4,020,000	4,020,000
Total other financing sources (uses)	(6,446,535)	(3,500,000)	-	-	(9,946,535)	496,535	5,067,258	5,563,793	(3,299,668)
<u>Special item</u>									
Proceeds from sale of assets	-	90,000	-	-	90,000	-	-	-	90,000
Net change in fund balance	(1,897,283)	(9,673,826)	(90,978)	(24,168)	(11,686,255)	455,486	89,836	545,322	(8,912,633)
Fund balance, beginning of year	3,414,095	14,556,673	1,538,410	28,418	19,537,596	40,322	88,715	129,037	28,414,143
Restatement	-	-	-	-	-	-	-	-	467,068
Fund balance, beginning of year, restated	3,414,095	14,556,673	1,538,410	28,418	19,537,596	40,322	88,715	129,037	28,881,211
Fund balance, end of year	\$ 1,516,812	4,882,847	1,447,432	4,250	7,851,341	495,808	178,551	674,359	19,968,578

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF NET POSITION
OTHER ENTERPRISE FUNDS
AS OF JUNE 30, 2020**

	<u>Museum Gift Shop Fund (750)</u>	<u>Total</u>
<u>Assets</u>		
Current assets		
Cash	\$ 12,407	12,407
Receivables, net	<u>-</u>	<u>-</u>
Total current assets	12,407	12,407
Noncurrent assets		
Capital assets:		
Land and construction in progress	-	-
Other capital assets, net of accumulated depreciation	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>-</u>	<u>-</u>
Total assets and deferred outflow of resources	<u>\$ 12,407</u>	<u>12,407</u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ <u>-</u>	<u>-</u>
Total current liabilities	-	-
Noncurrent liabilities		
Compensated absences	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>-</u>	<u>-</u>
<u>Net Position</u>		
Net investment in capital assets	-	-
Unrestricted	<u>12,407</u>	<u>12,407</u>
Total net position	<u>12,407</u>	<u>12,407</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 12,407</u>	<u>12,407</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Museum Gift Shop Fund (750)	Total
<u>Operating Revenues</u>		
Charges for services	\$ 452	452
<u>Operating Expenses</u>		
Personnel services	-	-
Utilities	-	-
Contractual services	16	16
Repairs and maintenance	-	-
Insurance claims and expenses	-	-
Other operating expenses	8,215	8,215
Depreciation expense	-	-
Total operating expenses	<u>8,231</u>	<u>8,231</u>
Operating income (loss)	(7,779)	(7,779)
<u>Non-operating revenues (expenses)</u>		
Intergovernmental	-	-
Miscellaneous	5,038	5,038
Gain (loss) on sale of assets	-	-
Total non-operating revenues (expenses)	<u>5,038</u>	<u>5,038</u>
Income (loss) before capital contributions and transfers	(2,741)	(2,741)
<u>Capital contributions and transfers</u>		
Transfers in	-	-
Transfers (out)	-	-
Total capital contributions and transfers	<u>-</u>	<u>-</u>
Change in net position	(2,741)	(2,741)
Net position, beginning of year	<u>15,148</u>	<u>15,148</u>
Net position, end of year	<u>\$ 12,407</u>	<u>12,407</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Museum Gift Shop Fund (750)	Total
<u>Cash flows from operating activities</u>		
Cash received from customers	\$ 435	435
Cash payments to suppliers for goods and services	(8,661)	(8,661)
Cash payments to employees for services	-	-
Net cash (used) by operating activities	(8,226)	(8,226)
<u>Cash flows for non-capital and financing activities</u>		
Miscellaneous revenues	5,038	5,038
Net transfers in (out)	-	-
Net cash provided by non-capital and financing activities	5,038	5,038
<u>Cash flows from capital and related financing activities</u>		
Acquisition of capital assets	-	-
Net cash (used) by capital and related financing activities	-	-
Net increase (decrease) in cash	(3,188)	(3,188)
Cash and cash equivalents, beginning of year	15,595	15,595
Cash and cash equivalents, end of year	\$ 12,407	12,407
<u>Reconciliation of operating income to net cash provided by operating activities</u>		
Operating (loss)	\$ (7,779)	(7,779)
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	-	-
Change in assets and liabilities:		
Increase (decrease) in accounts payable	(430)	(430)
Increase (decrease) in accrued liabilities	(17)	(17)
Total adjustments	(447)	(447)
Net cash (used) by operating activities	\$ (8,226)	(8,226)

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AS OF JUNE 30, 2020**

	General Insurance Fund (401, 402)	Group Health Insurance Fund (420)	Disaster Preparedness Fund (400)	Total
<u>Assets</u>				
Current assets				
Cash	\$ 1,526,008	1,693,559	1,247,558	4,467,125
Receivables, net	-	-	-	-
Total current assets	1,526,008	1,693,559	1,247,558	4,467,125
Noncurrent assets				
Restricted cash	478,871	-	-	478,871
Total assets	<u>\$ 2,004,879</u>	<u>1,693,559</u>	<u>1,247,558</u>	<u>4,945,996</u>
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 73,100	-	-	73,100
<u>Net position</u>				
Unrestricted	1,931,779	1,693,559	1,247,558	4,872,896
Total liabilities and net position	<u>\$ 2,004,879</u>	<u>1,693,559</u>	<u>1,247,558</u>	<u>4,945,996</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	General Insurance Fund (401, 402)	Group Health Insurance Fund (420)	Disaster Preparedness Fund (400)	Total
<u>Operating revenues</u>				
Charges for services	\$ -	6,912,923	-	6,912,923
<u>Operating expenses</u>				
Contractual services	-	-	3,562,617	3,562,617
Insurance claims and expenses	-	6,329,387	-	6,329,387
Other supplies and expenses	1,877,778	-	-	1,877,778
Depreciation and amortization	-	-	-	-
Total operating expenses	<u>1,877,778</u>	<u>6,329,387</u>	<u>3,562,617</u>	<u>11,769,782</u>
Operating (loss)	(1,877,778)	583,536	(3,562,617)	(4,856,859)
<u>Non-operating revenues (expenses)</u>				
Miscellaneous revenue	90,306	8,751	-	99,057
Investment income	22,522	8,849	-	31,371
Income (loss) before transfers	(1,764,950)	601,136	(3,562,617)	(4,726,431)
<u>Transfers</u>				
Transfers in	1,625,000	-	1,100,000	2,725,000
Transfers (out)	-	(1,727,819)	-	(1,727,819)
Total transfers	<u>1,625,000</u>	<u>(1,727,819)</u>	<u>1,100,000</u>	<u>997,181</u>
Change in net position	(139,950)	(1,126,683)	(2,462,617)	(3,729,250)
Net position, beginning of year	<u>2,071,729</u>	<u>2,820,242</u>	<u>3,710,175</u>	<u>8,602,146</u>
Net position, end of year	<u>\$ 1,931,779</u>	<u>1,693,559</u>	<u>1,247,558</u>	<u>4,872,896</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	General Insurance Fund (401, 402)	Group Health Insurance Fund (420)	Disaster Preparedness Fund (400)	Total
<u>Cash flows from operating activities</u>				
Internal activity - receipts from other funds	\$ -	6,912,923	-	6,912,923
Cash payments to suppliers for goods and services	(1,805,541)	(6,371,000)	(3,562,617)	(11,739,158)
Net cash provided (used) by operating activities	(1,805,541)	541,923	(3,562,617)	(4,826,235)
<u>Cash flows from non-capital activities</u>				
Miscellaneous revenue	90,306	8,751	-	99,057
Net transfers in (out)	1,625,000	(1,727,819)	1,100,000	997,181
<u>Cash flows from investing activities</u>				
Investment income	22,522	8,849	-	31,371
Net increase (decrease) in cash	(67,713)	(1,168,296)	(2,462,617)	(3,698,626)
Cash and cash equivalents, beginning of year	2,072,592	2,861,855	3,710,175	8,644,622
Cash and cash equivalents, end of year	\$ 2,004,879	1,693,559	1,247,558	4,945,996
Displayed as				
Cash	\$ 1,526,008	1,693,559	1,247,558	4,467,125
Restricted cash	478,871	-	-	478,871
Total cash	\$ 2,004,879	1,693,559	1,247,558	4,945,996
<u>Reconciliation of operating income to net cash provided by operating activities</u>				
Operating (loss)	(1,877,778)	583,536	(3,562,617)	(4,856,859)
Adjustment to reconcile operating income to net cash provided by operating activities				
None				
Change in assets and liabilities				
(Increase) decrease in accounts receivable	-	-	-	-
Increase (decrease) in accounts payable	72,237	(41,613)	-	30,624
Total adjustments	72,237	(41,613)	-	30,624
Net cash (used) by operating activities	\$ (1,805,541)	541,923	(3,562,617)	(4,826,235)

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Balance <u>June 30, 2019</u>	Increases / <u>Receipts</u>	Decreases / <u>Disbursements</u>	Balance <u>June 30, 2020</u>
<u>Municipal Court Bond Trust Fund</u>				
Cash	\$ 39,710	44,970	57,027	27,653
Due to others	\$ 39,710	44,970	57,027	27,653
 <u>U.S. Department of Energy Fund (WIPP Acceleration)</u>				
Cash	\$ 100	-	-	100
Note receivable	90,000	-	90,000	-
Total assets	90,100	-	90,000	100
Due to others	\$ 90,100	-	90,000	100
 <u>Combined Agency Funds</u>				
Cash	\$ 39,810	44,970	57,027	27,753
Note receivable	90,000	-	90,000	-
Total assets	129,810	44,970	147,027	27,753
Due to others	\$ 129,810	44,970	147,027	27,753

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OF CARLSBAD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS*

	2020	2019	2018	2017	2016	2015
	Measurement Date as of					
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
The City's proportion of the net pension liability (asset) (%)						
Municipal General	1.9110%	1.9566%	1.8488%	1.8910%	1.8023%	1.6672%
Municipal Police	2.1941%	1.9877%	2.0794%	2.0286%	1.8730%	1.7809%
Municipal Fire	3.5830%	3.2708%	3.3918%	3.3058%	3.0425%	2.8478%
	<u>2.3412%</u>	<u>2.6258%</u>	<u>2.2391%</u>	<u>2.2391%</u>	<u>2.1366%</u>	<u>2.0150%</u>
The City's proportionate share of the net pension liability (asset) (\$)						
Municipal General	\$ 33,081,310	31,195,445	25,404,076	30,211,818	18,376,011	13,005,949
Municipal Police	16,207,137	13,562,162	11,552,430	14,967,615	9,006,434	5,805,215
Municipal Fire	24,623,697	20,935,172	19,405,998	22,053,047	15,702,896	11,886,699
	<u>\$ 73,912,144</u>	<u>65,692,779</u>	<u>56,362,504</u>	<u>67,232,480</u>	<u>43,085,341</u>	<u>30,697,863</u>
The City's covered payroll						
Municipal General	\$ 17,577,843	16,503,581	16,622,262	16,151,288	14,920,209	16,001,413
Municipal Police	4,473,582	4,200,180	4,285,593	4,056,254	3,670,508	4,645,008
Municipal Fire	4,426,818	4,156,273	4,110,199	3,853,487	3,465,760	4,339,740
	<u>\$ 26,478,242</u>	<u>24,860,034</u>	<u>25,018,053</u>	<u>24,061,029</u>	<u>22,056,477</u>	<u>24,986,161</u>
The City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll						
Municipal General	188.20%	189.02%	152.83%	187.06%	123.16%	81.28%
Municipal Police	362.29%	322.89%	269.56%	369.00%	245.37%	124.98%
Municipal Fire	556.24%	503.70%	472.14%	572.29%	453.09%	273.90%
Plan fiduciary net position as a percentage of the total pension liability						
Municipal General	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%
Municipal Police	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%
Municipal Fire	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City is not available prior to fiscal year 2015, the year the statement's requirements became effective.

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OF CARLSBAD'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS***

	2020	2019	2018	2017	2016	2015
Statutory required contribution						
Municipal General	\$ 1,829,342	1,678,684	1,576,092	1,587,426	1,542,448	1,424,880
Municipal Police	921,389	845,507	793,834	809,977	766,632	693,726
Municipal Fire	1,044,420	958,406	899,833	889,858	834,280	750,337
	<u>\$ 3,795,151</u>	<u>3,482,597</u>	<u>3,269,759</u>	<u>3,287,261</u>	<u>3,143,360</u>	<u>2,868,943</u>
Contributions in relation to the statutorily required contribution						
Municipal General	\$ 1,829,342	1,678,684	1,576,092	1,587,426	1,542,448	1,424,880
Municipal Police	921,389	845,507	793,834	809,977	766,632	693,726
Municipal Fire	1,044,420	958,406	899,833	889,858	834,280	750,337
	<u>\$ 3,795,151</u>	<u>3,482,597</u>	<u>3,269,759</u>	<u>3,287,261</u>	<u>3,143,360</u>	<u>2,868,943</u>
Contribution deficiency (excess)						
Municipal General	\$ -	-	-	-	-	-
Municipal Police	-	-	-	-	-	-
Municipal Fire	-	-	-	-	-	-
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City is not available prior to fiscal year 2015, the year the statement's requirements became effective.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For The Year Ended June 30, 2020

Changes of Benefit Terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

Changes of Assumptions: The Public Employee Retirement Association of New Mexico Annual Actuarial Valuations as of June 2019 report is available at <http://www.nmpera.org/>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OF CARLSBAD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS***

	2020	2019	2018
	Measurement Date as of:		
	June 30, 2019	June 30, 2018	June 30, 2017
The City's proportion of the net OPEB liability (%)	0.64349%	0.63076%	0.62294%
The City's proportionate share of OPEB liability (\$)	\$ 20,864,447	27,427,683	28,229,604
The City's covered payroll	\$ 26,852,378	27,063,494	25,949,484
The City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	77.70%	101.35%	108.79%
Plan fiduciary net position as a percentage of the total pension liability	18.92%	13.14%	11.34%

*This schedule is presented to illustrate the requirement to show information for 10 years; However, until a full 10-year trend is compiled, the statement only requires presentation of information for available years.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For The Year Ended June 30, 2020

Changes in benefit provisions . In the June 30, 2019 actuarial valuation, changes in assumptions and differences between expected and actual experience include adjustments resulting from an increase in the discount rate from 4.08% to 4.16%, decrease in expected participation rates for future retirees from 75% to 60%, and a decrease in the spousal coverage rate for future male retirees from 55% to 35%.

Changes in assumptions and methods . There were no modifications to the assumptions and methods as this is the second year of adoption of the OPEB accounting standard.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OF CARLSBAD'S CONTRIBUTIONS
OPEB**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 569,594	985,668	1,978,127
Contributions in relation to the contractually required contribution	569,594	973,633	992,799
Contribution deficiency (excess)	<u>\$ -</u>	<u>12,035</u>	<u>985,328</u>
The City's covered payroll	\$ 26,867,642	27,063,494	25,949,484
Contributions as a percentage of covered payroll	2.12%	3.60%	3.83%

*This schedule is presented to illustrate the requirement to show information for 10 years; However, until a full 10-year trend is compiled, the statement only requires presentation of information for available years.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2020**

Changes in benefit provisions. In the June 30, 2019 actuarial valuation, changes in assumptions and differences between expected and actual experience include adjustments resulting from an increase in the discount rate from 4.08% to 4.16%, decrease in expected participation rates for future retirees from 75% to 60%, and a decrease in the spousal coverage rate for future male retirees from 55% to 35%.

Changes in assumptions and methods. There were no modifications to the assumptions and methods as this is the second year of adoption of the OPEB accounting standard.

OTHER SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF CASH ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2020**

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
Carlsbad National Bank P.O. Box 1359 Carlsbad, New Mexico 88221-1359				
Health Insurance	Checking	\$ 1,409,380	284,178	1,693,558
Payroll Account	Checking	400,301	(388,991)	11,310
Debt Service Account	Checking	3,698,498	-	3,698,498
Municipal Court	Checking	30,413	(2,761)	27,652
Worker's Compensation	Checking	18,894	(8,894)	10,000
CDBG Cash	Checking	63,361	(1,420)	61,941
General Operating	Certificate of Deposit	566,530	-	566,530
General Operating	Certificate of Deposit	210,739	-	210,739
General Operating	Certificate of Deposit	4,000,000	-	4,000,000
Sandpoint Closure Reserve	Certificate of Deposit	1,299,639	-	1,299,639
Worker's Compensation	Certificate of Deposit	1,003,625	-	1,003,625
Water & Sewer	Certificate of Deposit	309,017	-	309,017
		<u>\$ 13,010,397</u>	<u>(117,888)</u>	<u>12,892,509</u>
First American Bank 303 W. Main Artesia, NM 88210				
General	Certificate of Deposit	4,717,721	-	4,717,721
		<u>4,717,721</u>	<u>-</u>	<u>4,717,721</u>
Pioneer Savings Bank P.O. Box 130 Roswell, New Mexico 88202-0130				
General Operating	Certificate of Deposit	\$ 467,091	-	467,091
General Operating	Certificate of Deposit	427,971	-	427,971
General Operating	Certificate of Deposit	427,971	-	427,971
General Operating	Certificate of Deposit	693,945	-	693,945
General Operating	Certificate of Deposit	2,000,535	-	2,000,535
Sandpoint Closure Reserve	Certificate of Deposit	213,985	-	213,985
Sandpoint Closure Reserve	Certificate of Deposit	957,049	-	957,049
Worker's Compensation	Certificate of Deposit	213,985	-	213,985
Worker's Compensation	Certificate of Deposit	264,886	-	264,886
Water & Sewer	Certificate of Deposit	213,985	-	213,985
		<u>\$ 5,881,403</u>	<u>-</u>	<u>5,881,403</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF CASH ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2020**

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
Wells Fargo Bank, N.A. Carlsbad Office 115 W. Fox Street Carlsbad, New Mexico 88221				
General Fund	Checking	\$ 52,257,855	(1,568,520)	50,689,335
City Fund Investment	Money Market	1,425,252	-	1,425,252
		<u>\$ 53,683,107</u>	<u>(1,568,520)</u>	<u>52,114,587</u>
Western Commerce Bank P.O. Drawer 1358 Carlsbad, New Mexico 88221-1358				
Construction Account	Checking	\$ 7,615,063	(6,684)	7,608,379
Federal Projects	Checking	100	-	100
General Operating	Certificate of Deposit	313,805	-	313,805
General Operating	Certificate of Deposit	285,064	-	285,064
General Operating	Certificate of Deposit	4,000,000	-	4,000,000
General Operating	Certificate of Deposit	640,000	-	640,000
Sandpoint Closure Reserve	Certificate of Deposit	947,442	-	947,442
Water & Sewer	Certificate of Deposit	360,156	-	360,156
		<u>\$ 14,161,630</u>	<u>(6,684)</u>	<u>14,154,946</u>
New Mexico Finance Authority 207 Shelby Street Santa Fe, New Mexico 87501				
Carlsbad 11	Reserve	\$ 240,493	-	240,493
Carlsbad 13	Reserve	13	-	13
Carlsbad 13	Reserve	121,143	-	121,143
Carlsbad 13	Program Funds	8,809	-	8,809
Carlsbad 15	Reserve	90,047	-	90,047
Carlsbad 15	Program Funds	318,322	-	318,322
Carlsbad 22	Program Funds	52,110	-	52,110
Carlsbad 22	Reserve	36,394	-	36,394
		<u>\$ 867,331</u>	<u>-</u>	<u>867,331</u>
Totals		<u>\$ 92,321,589</u>	<u>(1,693,092)</u>	<u>90,628,497</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF PLEDGED COLLATERAL
ALL FINANCIAL INSTITUTIONS
FOR THE YEAR ENDED JUNE 30, 2020**

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

Security Description	CUSIP Number	Maturity Date	Market Value
FHLMC Pool C91245	3128P7L27	01/01/36	\$ 953,373
FHLMC POOL#C91366	3128P7QT3	04/01/31	575,045
FNMA POOL #MA1029	31418AEB0	04/01/32	523,585
FHLMC POOL #C91758	3128P755T6	04/01/34	936,509
FNR 2012-55 PD	3136A53R5	05/25/42	522,069
GNMAII POOL#4668	36202FFH4	04/20/25	524,139
FNMA POOL#MA7076	3138EP2J2	08/01/32	689,064
FNR 2012-127 DH	3136A9B31	11/25/27	163,192
FHLMC POOL#C91864	3128P8B91	02/01/36	1,419,687
FHLMC POOL#G07957	3128NAE62	01/01/45	1,102,344
GNMAII POOL#MA5976	36179UT93	06/20/49	984,553
			<u>\$ 8,393,560</u>

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

Pioneer Savings Bank
3000 N. Main Street
P.O. Box 130
Roswell, NM 88202-0130

Security Description	CUSIP Number	Maturity Date	Market Value
FHLM PC Gold	3128MMVV2	01/01/32	\$ 569,593
FHLM ASSN PARTN CTF	31295NW53	09/01/32	13,378
FHLB 22	313380GJ0	09/09/22	623,220
FHLMC PARTN CTF	31349S4E0	07/01/34	12,462
FNMA	3138ASYU0	10/01/26	192,061
FNMA	31390KQK7	06/01/32	22,706
FNMA	31391BES2	09/01/32	4,752
FNMA	31403VWN5	01/01/34	40,644
FNMA	31404V6W3	06/01/34	18,640
FNMA	3140X4HB5	01/01/32	1,280,030
FNMA	31416YYA0	08/01/26	313,304
GNMA II 080418	36225CPC4	06/20/30	34,607
GNMA II 080477	36225CQ74	12/20/30	4,202
GNMA II 080540	36225CS64	09/20/31	14,458
GNMA II 080562	36225CTU0	12/20/31	10,690
			<u>\$ 3,154,747</u>

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

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF PLEDGED COLLATERAL
ALL FINANCIAL INSTITUTIONS
FOR THE YEAR ENDED JUNE 30, 2020**

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

Security Description	CUSIP Number	Maturity Date	Market Value
FN BN7765	3140JQTX1	09/01/49	\$ 31,026,716
			<u>\$ 31,026,716</u>

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

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

Security Description	CUSIP Number	Maturity Date	Market Value
FHLMC #G08534	3128MJSY7	06/01/43	\$ 1,061,630
FHLMC #J22899	31307BGG9	03/01/28	419,676
FNMA #AA5840	31416PP27	06/01/39	159,110
FNMA #MA2956	31418CJA3	04/01/47	1,591,508
SBAP SERIES 2013-20B CLASS 1	83162CVH3	02/01/33	1,074,344
SBAP SERIES 2013-20J CLASS 1	83162CVV2	10/01/33	954,017
SBAP SERIES 2015-20D CLASS 1	83162CWY5	04/01/35	1,158,183
SBAP SERIES 2016-20H CLASS 1	83162CXY4	08/01/36	719,965
SBAP SERIES 2017-20I CLASS 1	83162CYW7	09/01/37	1,609,590
			<u>\$ 8,748,022</u>

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

First American Bank
303 W. Main
Artesia, NM 88210

Security Description	CUSIP Number	Maturity Date	Market Value
GADSDEN NM INDEP SCH NM 25	362550NC5	08/15/25	\$ 674,180
ALAMOGORDO MUNI SD#1 NM 2	011464KU7	08/01/29	271,417
GNMA II 15YR	3622AAEL4	05/20/34	1,296,043
			<u>\$ 2,241,640</u>

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

Total pledged collateral \$ 53,564,685

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

COMPLIANCE SECTION

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Contract/Grant Project/State Number	Federal Expenditures
U.S. Department of Transportation			
<i>Direct</i>			
Airport Improvement Program	(1) 20.106	3-35-0007-026-2018	\$ 1,451,839
Airport Improvement Program	(1) 20.106	3-35-0007-027-2019	488,976
<i>Passed through New Mexico Department of Transportation</i>			
Formula Grants for Rural Areas	20.509	M01465	450,637
ENDWI	20.608	19-AL-64-013	14,959
ENDWI	20.608	20-AL-64-013	19,350
Total U.S. Department of Transportation			<u>2,425,761</u>
U.S. Department of Health and Human Services			
Public Health and Social Services Emergency Fund for Provider Relief (Covid-19)	93.498	2014-H3941-NM-DJ	28,448
Total U.S. Department of Health and Human Services			<u>28,448</u>
U.S. Department of Housing and Urban Development			
CDBG Grants	14.228	18-C-NR-I-01-G-12	5,000
Total Department of Housing and Urban Development			<u>5,000</u>
U.S. Department of Homeland Security and Emergency Management			
Assistance to Firefighters Grant	97.044	EMW-2018-FO-05558	133,909
Total U.S. Department of Homeland Security and Emergency Management			<u>133,909</u>
Total Expenditures of Federal Awards			<u>\$ 2,593,118</u>
<i>(1) Denotes Major Program</i>			
<u>Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance</u>			
Federal expenditures per SEFA			\$ 2,593,118
Total federal grant revenue - governmental funds			2,599,868
Difference			6,750
Less: non-cost reimbursable grant revenue from NMHC in excess of expenditures			(6,750)
Net difference			<u>\$ -</u>

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Carlsbad, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note 2 - Non-Cash Federal Assistance

No non-cash federal assistance was received during the year ended June 30, 2020.

Note 3 - Subrecipients

The City of Carlsbad provided no federal awards presented above to sub-recipients during the year.

Note 4 - Cost Rate

The City of Carlsbad did not use the 10% de minimis indirect cost rate.

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

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

Mayor and City Council
The City of Carlsbad
and
Mr. Brian S. Colón, New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the general fund, the aggregate remaining fund information, and the budgetary comparison of the general fund, of the City of Carlsbad (City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

December 14, 2020

Purpose of This Report

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

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.
Albuquerque, New Mexico
December 14, 2020



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mayor and City Council
The City of Carlsbad
and
Mr. Brian S. Colón, New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited the City of Carlsbad’s (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2020. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test

and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Hinkle + Landers, P.C.
Albuquerque, NM
December 14, 2020

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

SECTION I -SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditor’s report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditor’s report issued on compliance for major programs | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)? | None |

4. Identification of major programs:

CFDA Numbers Funding Source	Name of Federal Programs	Funding Source
20.106	Airport Improvement Program	U.S. Department of Transportation

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | No |

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

SECTION II -SUMMARY OF AUDITOR FINDINGS

<u>Reference #</u>	<u>Finding</u>	<u>Status of Prior Year Findings</u>	<u>Type of Finding*</u>
<u>Prior Year Findings</u>			
2019-001	Internal Controls and Lien Policy on Delinquent Utility Accounts	RESOLVED	C, D
2019-002	Capital Asset Software	RESOLVED	B
<u>Current Year Findings</u>			
NONE	N/A	N/A	N/A

* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Finding that Does Not Rise to the Level of a Significant Deficiency
(Other Matters) Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance related to Federal Awards
- G. Non-compliance with State Audit Rule, NM State Statutes, NMAC or other entity compliance
- H. Instance of Material Non-Compliance

**STATE OF NEW MEXICO
CITY OF CARLSBAD
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2020**

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Presentation: The accompanying financial statements are the responsibility of the City and are based on information from the City's financial records. Assistance was provided by Hinkle + Landers, PC to the City in preparing the financial statements.

B. EXIT CONFERENCE

The contents of the report for the City of Carlsbad were discussed on December 14, 2020. The following individuals were in attendance:

City of Carlsbad Officials

Edward T. Rodriguez

John Lowe

Wendy Austin

Kenneth Cass

Melissa Salcido

Mayor Pro Tem

City Administrator

Deputy City Administrator

Deputy City Administrator

Director of Finance

Hinkle + Landers, P.C.

Farley Vener, CPA, CFE, CGMA

Maclen Enriquez, CPA

President

Senior Audit Manager