

**STATE OF NEW MEXICO**

**CARLSBAD**

**SOIL AND WATER CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS**  
**Fiscal Year Ended June 30, 2009**

**(With Independent Auditor's Report Thereon)**



**JOHNSON, MILLER & CO.**

*Certified Public Accountants  
A Professional Corporation*

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*An Independent Member of BDO Seidman Alliance*

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

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JUNE 30, 2009

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STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

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STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER  
JUNE 30, 2009

Board of Supervisors

Position

Ridley Gardner

Chairperson

Nathan Jurva

Vice-Chairperson

Ron Head

Secretary/Treasurer

James Walterscheid

Supervisor

Jimmie Cisneros

Supervisor

Raymond Nance

Supervisor

Tyson Mahaffey

Supervisor

District Personnel

Title

Judy Bock

District Manager

Judith Ortego

Administrative Assistant

Nancy Painter

Clerk



**JOHNSON, MILLER & CO.**  
Certified Public Accountants  
A Professional Corporation  

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An Independent Member Of BDO Seidman Alliance

Hobbs, New Mexico  
Midland, Texas  
Odessa, Texas

## INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
Chairperson, Members of the Board of Supervisors  
Carlsbad Soil & Water Conservation District  
3219 S. Canal  
Carlsbad, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund and the respective budgetary comparisons and the aggregate remaining fund information of the Carlsbad Soil and Water Conservation District (District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2009, and the respective changes in financial position, thereof and the budgetary comparisons for major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Carlsbad Soil and Water Conservation District's basic financial statements. The Schedule of Changes in Assets and Liabilities – Agency Fund is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Changes in Assets and Liabilities – Agency Fund has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic, combining and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of each of the respective individual funds and the basic financial statements taken as a whole.

*Johnson, Miller & Co.*

Hobbs, New Mexico  
December 1, 2009

**STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

This discussion and analysis is designed to offer readers of the Carlsbad Soil and Water Conservation District's (SWCD) financial statements this narrative overview and analysis of the financial activities of the Carlsbad SWCD for the fiscal year ended June 30, 2009.

**Financial Highlights**

The assets of the Carlsbad SWCD exceeded its liabilities at the close of the most recent fiscal year by \$693,402 (net assets). Of this amount \$150,581 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and cooperators.

The District's total net assets decreased by \$235,152 and liabilities decreased by \$622,118. The decrease in net assets is a result of fewer revenues received by the District. The decrease in liabilities is the result of fewer outstanding payments related to District's projects due at June 30, 2009.

As of close of the current fiscal year, the Carlsbad SWCD's governmental funds reported an ending balance of \$328,357, a decrease of \$270,322 in comparison with the prior year. Of the ending balance \$216,984 is reserved, designated fund balance; \$57,302 is reserved for payments to the New Mexico Finance Authority and the Interstate Stream Commission against loan principal, \$43,954 is reserved for the ISC re-loan program and \$115,728 is reserved for conservation grants as designated in written agreements. Approximately 34 percent of the ending total fund balance amount of \$111,373, may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$111,373, or 6 percent of total general fund expenditures.

The Carlsbad SWCD's total debt decreased by \$59,907 during the current fiscal year. There was not new activity related to long term financing.

**Overview of the Financial Statements**

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Carlsbad SWCD's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Carlsbad SWCD's assets and liabilities, with the difference between the two reported as net assets. Overtime, increases or decreases in net

assets may serve as a useful indicator of whether the financial position of the Carlsbad SWCD is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statement distinguishes functions of the Carlsbad SWCD that are principally supported by taxes, intergovernmental revenue (governmental activities), and grants. The government activities of the Carlsbad SWCD include general government, facilitate programs that conserve our district's natural resources, and use available technical, financial and educational resources, whatever their source, and focus or coordinate them so that they meet the needs of the local users of soil, water, and related natural resources.

The government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Carlsbad SWCD, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Carlsbad SWCD are in one category: governmental funds.

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

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

The Carlsbad SWCD maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the special revenue fund, both of which are considered to be major funds.

The Carlsbad SWCD adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for both funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 10-13 of this report.



### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Carlsbad SWCD, assets exceeded liabilities by \$693,402 at the close of the most recent fiscal year.

By far the largest portion of the Carlsbad SWCD's net assets reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Carlsbad SWCD's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Carlsbad Soil and Water Conservation District's Net Assets

	Governmental Activities	
	2009	2008
Current and other assets	\$486,787	\$1,324,208
Capital assets	424,623	444,472
Total assets	911,410	1,768,680
Long-term liabilities outstanding	47,677	91,293
Other liabilities	170,331	748,833
Total liabilities	218,008	840,126
Net assets:		
Invested in capital assets, net of related debt	369,791	332,739
Restricted	173,030	241,407
Unrestricted	150,581	354,408
Total net assets	\$693,402	\$928,554

An additional portion of the Carlsbad SWCD's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$150,581) may be used to meet the District's ongoing obligations to citizens and creditors.

During the current fiscal year, the District's net assets decreased by \$235,152 and other liabilities decreased by \$622,118. The decrease in net assets is a result of fewer revenues received by the District. The decrease in liabilities is the result of fewer outstanding payments related to District's projects due at June 30, 2009.

Governmental activities. Governmental activities decreased the Carlsbad SWCD's net assets by \$235,152. Key elements of this decrease are as follows:

**Carlsbad Soil and Water Conservation District's  
Changes in Net Assets**

	<b>Governmental Activities</b>	
	2009	2008
Revenues:		
Program revenues:		
Federal operating grants and contracts	\$1,245,781	\$1,199,360
State operating grants and contracts	120,947	322,297
Natural Fish and Wildlife Foundation	-	232,994
Charges for services	1,726	1,979
General Revenues:		
NMDA allotment	10,751	10,980
Property taxes	235,326	233,986
Interest	3,833	7,114
Total revenues	1,618,364	2,008,710
 Program Expenses:		
Conservation:		
Administration	199,846	201,499
Conservation programs	1,633,822	1,988,023
Depreciation	19,848	21,404
Total Program Expenses	1,853,516	2,210,926
Change in net assets	(235,152)	(202,216)
Net assets – 7/1/2008	928,554	1,130,770
Net assets – 6/30/2009	\$693,402	\$928,554

Increase in federal funding (\$46,421) is due to additional funds received from the Bureau of Land Management designated for restoration, reclamation and noxious weed control projects. Decrease in state funding \$201,350 is mainly due to the District experiencing a reduction in funding for the Saltcedar, Avalon/Alacran and Erosion Control projects.

The District also experienced a decrease of \$232,994 on monies proceeding from the National Fish and Wild Life Foundation.

Conservation program expenses decreased by \$354,201; this decrease is proportionate to the decrease in total revenues \$390,346 and reasonably represents the amount of work accomplished on watershed improvement and community projects with the funding received.

### **Financial Analysis of the District's Funds**

As noted earlier, the Carlsbad SWCD uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the Carlsbad SWCD's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Carlsbad SWCD's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Carlsbad SWCD's governmental funds reported combined ending fund balances of \$328,357, a decrease of \$270,322 in comparison with the prior year. Approximately 34 percent of the ending fund balance amount \$111,373 constitutes unreserved, undesignated fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for repayment of loans to the Interstate Stream Commission and New Mexico Finance Authority.

The fund balance of the Carlsbad SWCD's decrease during the current fiscal year is a result of the following key factor: A decrease in grants received.

### **Governmental Fund Budgetary Highlights**

The original budget for the General Fund was amended to reflect additional grant revenues and expected expenses. The actual amount received was approximately \$147,000 less than the final budgeted amount and expenditures were approximately \$39,000 higher as a result of the NFMA loan payoff not budgeted.

### **Debt Administration**

During the current fiscal year the Carlsbad SWCD paid off NMFA loan used to purchase a storage building.

### **Economic Factors and Next Year's Budget**

The downturn of the nation's economy has resulted in the shortfall of funding for programs; these factors were considered in preparing the Carlsbad SWCD's budget for the fiscal year 2010.

### **Requests for Information**

This financial report is designed to provide a general overview of the Carlsbad SWCD's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Manager, Carlsbad Soil and Water Conservation District, 3219 S. Canal, Carlsbad, New Mexico 88220.

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO  
 CARLSBAD SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF NET ASSETS  
 June 30, 2009

Exhibit 1

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 379,630
Property taxes receivable	11,167
Grants receivable	57,072
Restricted cash	2,312
Loans receivable	36,606
Capital assets, net	<u>424,623</u>
 Total assets	 <u>911,410</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	156,535
Accrued payroll	1,895
Due within one year	9,624
Compensated absences	2,277
Noncurrent liabilities:	
Due in more than one year	<u>47,677</u>
 Total liabilities	 <u>218,008</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	369,791
Restricted for:	
NMFA Loan repayment	54,832
ISC loan repayment	2,470
Conservation grant purposes	115,728
Unrestricted	<u>150,581</u>
 Total net assets	 <u>\$ 693,402</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
 CARLSBAD SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF ACTIVITIES  
 FOR THE FISCAL YEAR ENDED  
 June 30, 2009

Exhibit 2

	<u>Governmental Activites</u>
<b>Program Expenses:</b>	
Conservation:	
Administration	\$ 199,846
Conservation programs	1,633,822
Depreciation	<u>19,848</u>
Total program expenses	<u>1,853,516</u>
<b>Program Revenues:</b>	
Federal operating grants and contracts	1,245,781
State operating grants and contracts	120,947
Charges for services	<u>1,726</u>
Total program revenues	<u>1,368,454</u>
Net program (expense) revenue	<u>(485,062)</u>
<b>General Revenues:</b>	
NMDA allotment	10,751
Property taxes	235,326
Interest	<u>3,833</u>
Total general revenues	<u>249,910</u>
Change in net assets	(235,152)
Net assets at beginning of year	<u>928,554</u>
Net assets at end of year	<u>\$ 693,402</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
 CARLSBAD SOIL AND WATER CONSERVATION DISTRICT  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 June 30, 2009

Exhibit 3

	General Fund	Special Revenue Fund	Total
<b>Assets</b>			
Cash	\$ 369,812	\$ 9,818	\$ 379,630
Property taxes receivable	11,167	-	11,167
Grants receivable	57,072	-	57,072
Restricted cash	2,312	-	2,312
Loans receivable	-	36,606	36,606
	<u>\$ 440,363</u>	<u>\$ 46,424</u>	<u>\$ 486,787</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 156,535	\$ -	\$ 156,535
Accrued payroll	1,895	-	1,895
	<u>158,430</u>	<u>-</u>	<u>158,430</u>
<b>Fund balance:</b>			
Reserved for ISC debt service	-	2,470	2,470
Reserved for ISC loans	-	43,954	43,954
Reserved for NMFA loan	54,832	-	54,832
Reserved for conservation grant purposes	115,728	-	115,728
Unreserved, undesignated	111,373	-	111,373
	<u>281,933</u>	<u>46,424</u>	<u>328,357</u>
<b>Total fund balance</b>	<u>281,933</u>	<u>46,424</u>	<u>328,357</u>
<b>Total liabilities and fund balance</b>	<u>\$ 440,363</u>	<u>\$ 46,424</u>	<u>\$ 486,787</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS  
June 30, 2009

Amounts reported for governmental activities in the Statement of Net Assets are different from the way they are reported in the Balance Sheet - Governmental Funds as follows:

Fund Balance - Balance Sheet (Exhibit 3 )	\$	328,357
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Capital assets, net of accumulated depreciation		424,623
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Note payable -NMFA		(54,832)
Notes payable- ISC		(2,470)
Compensated absences		(2,277)
Rounding		1
Net Assets - Statement of Net Assets (Exhibit 1)	\$	693,402

The notes to the financial statements are an integral part of this statement.



STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED  
June 30, 2009

Exhibit 4

	General Fund	Special Revenue Fund	Total
<b>Revenues</b>			
State allocation	\$ 10,751	\$ -	\$ 10,751
Mill levy	239,519	-	239,519
BLM - Federal operating grant	223,400	-	223,400
BLM - NMACD Restoration - Federal operating grant	717,982	-	717,982
BLM-NMACD Restoration: Other funds - Federal operating grant	122,218	-	122,218
Bureau of Reclamation - Federal operating grant	99,394	-	99,394
NMED 319 Grant - Federal operating grant	82,787	-	82,787
Avalon/Alacran Leg Funding - State operating grant	20,171	-	20,171
CIG Erosion Control-State operating grant	3,848	-	3,848
EMNRD CWMA - State operating grant	18,724	-	18,724
NMSWCC Alkali Lake - State operating grant	32,689	-	32,689
Miscellaneous - grant revenue	45,515	-	45,515
Restricted interest	669	-	669
Interest	3,164	1,726	4,890
<b>Total revenues</b>	<b>1,620,831</b>	<b>1,726</b>	<b>1,622,557</b>
<b>Expenditures</b>			
<b>Current:</b>			
Building maintenance	4,761	-	4,761
Community projects	134,775	-	134,775
Natural Fish and Wildlife Foundation	555	-	555
Contractual Services	58,358	-	58,358
District projects	1,457,034	-	1,457,034
Vegetation management	23,356	-	23,356
Dues and subscriptions	3,975	-	3,975
Eddy County Fair	475	-	475
Salaries & benefits	85,217	-	85,217
Information & education	17,626	-	17,626
Mailing expense	1,233	-	1,233
Meeting expense	2,501	-	2,501
Per Diem	6,209	-	6,209
Supplies	10,761	-	10,761
Utilities	5,797	-	5,797
Insurance	4,759	-	4,759
Vehicle operation & maintenance	1,804	-	1,804
Administrative fees	-	5,000	5,000
Miscellaneous	4,560	78	4,638
<b>Debt Service:</b>			
Principal payments	56,901	3,006	59,907
Interest	4,001	137	4,138
<b>Total expenditures</b>	<b>1,884,658</b>	<b>8,221</b>	<b>1,892,879</b>
Excess (deficiency) of revenues over (under) expenditures	(263,827)	(6,495)	(270,322)
Net change in fund balance	(263,827)	(6,495)	(270,322)
Fund balance beginning of year	545,760	52,919	598,679
Fund balance end of year	\$ 281,933	\$ 46,424	\$ 328,357

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
 CARLSBAD SOIL AND WATER CONSERVATION DISTRICT  
 RECONCILIATION OF THE STATEMENT OF ACTIVITIES TO THE  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - GOVERNMENTAL FUNDS

June 30, 2009

Net change in fund balance - Governmental Funds (Exhibit 4) \$ (270,322)

Amounts reported in the Statement of Activities are different because:

Property taxes not received within 60 days of year end are deferred in the Governmental Funds but recognized in the Statement of Activities. The decrease in deferred revenue not recorded on the balance sheet is: (4,193)

In the Statement of Activities, compensated absences are measured by the amounts earned during the year. However, in the governmental funds, expenditures for these items are measured by the amount of financial resources used (actually paid). The decrease for the liability not recorded in the balance sheet is: (696)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful life of the asset and reported as depreciation expense as follows:

Depreciation expense (19,848)

Repayment of principal on long-term debt (note payable) is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount repaid in the current year: 59,907

Change in net assets - Statement of Activities (Exhibit 2) \$ (235,152)

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
 CARLSBAD SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL AND SPECIAL REVENUE FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General Fund				Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>								
State allocation	\$ 9,900	\$ 10,751	\$ 10,751	\$ -	\$ -	\$ -	\$ -	\$ -
Mill levy	220,000	236,947	236,947	-	-	-	-	-
BLM Assistance - federal grant	-	370,400	223,400	(147,000)	-	-	-	-
BLM - NM/ACD Restoration - federal grant	500,000	717,829	717,829	-	-	-	-	-
BLM - NM/ACD Restoration: Other Funds - federal grant	-	122,218	122,218	-	-	-	-	-
Bingaman Riparian Restoration - federal grant	-	60,000	60,000	-	-	-	-	-
Bureau of Reclamation - federal grant	54,000	93,174	93,174	-	-	-	-	-
NMED 319 Grant - federal grant	152,350	82,787	82,787	-	-	-	-	-
Avalon/Alacran Leg Funding - state grant	110,000	2,450	2,450	-	-	-	-	-
CIG Erosion Control-state grant	1,290	8,515	8,515	-	-	-	-	-
EMNRD CWMA - state grant	-	18,724	18,724	-	-	-	-	-
NMSWCC - state grant	-	32,689	32,689	-	-	-	-	-
Salt Cedar- state grant	-	22,747	22,747	-	-	-	-	-
Noxious Weed Control	15,000	30,500	30,500	-	-	-	-	-
Miscellaneous - grants	16,500	10,110	10,110	-	-	-	-	-
Interest	6,000	3,839	3,839	-	-	-	1,726	1,726
ISC Work	-	3,905	3,905	-	-	-	-	-
Loan repayments	-	-	-	-	8,284	8,284	6,558	(1,726)
<b>Total revenues</b>	<b>\$ 1,085,040</b>	<b>\$ 1,827,585</b>	<b>\$ 1,680,585</b>	<b>\$ (147,000)</b>	<b>\$ 8,284</b>	<b>\$ 8,284</b>	<b>\$ 8,284</b>	<b>\$ (0)</b>
Cash balance budgeted	61,382	714,182						
<b>Total revenues and cash balance budgeted</b>	<b>\$ 1,146,422</b>	<b>\$ 2,541,767</b>						
<b>Expenditures</b>								
Current:								
Bond and insurance	\$ 5,000	\$ 4,759	\$ 4,759	\$ -	\$ -	\$ -	\$ -	\$ -
Loan payment	26,913	22,383	60,902	(38,519)	-	-	-	-
Building maintenance	6,500	4,761	4,761	-	-	-	-	-
Community projects	146,590	139,037	139,038	(1)	-	-	-	-
Contractual Services	35,000	58,358	58,358	-	-	-	-	-
District projects	711,350	2,124,428	2,124,428	-	-	-	-	-
Dues and subscriptions	4,000	3,975	3,975	-	-	-	-	-
Eddy County Fair	500	475	475	-	-	-	-	-
Salaries & benefits	124,119	84,875	84,874	1	-	-	-	-
Information & education	15,000	16,437	16,437	-	-	-	-	-
Meeting expense	900	1,254	1,254	-	-	-	-	-
Mailing expense	3,000	2,500	2,501	(1)	-	-	-	-
Miscellaneous	500	4,560	4,560	-	-	-	78	(78)
Per Diem	9,000	5,763	5,763	-	-	-	-	-
Supplies	10,000	10,761	10,761	-	-	-	-	-
Utilities	8,050	5,797	5,797	-	-	-	-	-
Vegetation management	35,000	49,720	49,720	-	-	-	-	-
Vehicle operation & maintenance	5,000	1,924	1,924	-	-	-	-	-
ISC loan payments	-	-	-	-	3,143	3,143	3,143	-
ISC loan administrative fees	-	-	-	-	5,141	5,078	5,000	78
<b>Total expenditures</b>	<b>\$ 1,146,422</b>	<b>\$ 2,541,767</b>	<b>\$ 2,580,287</b>	<b>\$ (38,520)</b>	<b>\$ 8,284</b>	<b>\$ 8,221</b>	<b>\$ 8,221</b>	<b>\$ -</b>

The notes to the financial statements are an integral part of the statement.

STATE OF NEW MEXICO  
 CARLSBAD SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS  
 June 30, 2009

Exhibit 6

	<u>Agency Fund</u>
<b>Assets</b>	
Cash	\$ 25,599
Total assets	<u>\$ 25,599</u>
<b>Liabilities</b>	
Liabilities:	
Accounts Payable	\$ 21,864
Due to other agencies	<u>3,735</u>
Total liabilities	<u>\$ 25,599</u>

The notes to the financial statements are an integral part of this statement

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Carlsbad Soil and Water Conservation District (District) is organized under the provisions of the Soil and Water Conservation District Act (73-20-25 through 73-20-49 NMSA 1978). The District is a governmental subdivision of the state, a public body corporate and politic, organized for control and prevention of flood, sediment, and soil erosion damage, and to further the conservation, development and beneficial use of water and soil resources. The governing body of the District consists of a minimum of five elected supervisors, four of whom must be landowners in the District. Two additional supervisors may be appointed to the District board. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

The financial reporting entity as defined by GASB 14 consists of the primary government, organizations for which the primary government is financially accountable, and other organizations whose exclusion from the financial reporting entity would cause the financial statements to be misleading.

A primary government is any state government or general-purpose local government and the organizations comprising its legal entity. Although the District is organized as a subdivision of the State and administratively attached to the New Mexico State University, Department of Agriculture, the statutory powers of the District establish it as a primary government with a separate corporate and legal identity. The District has no component units, financially dependent affiliates, nor is it legally liable for actions of other agencies.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The District, a phase three government, was required to implement GASB Statement 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* in fiscal year 2004. To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, the District does not have any business-type activities.

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Grants are recognized as revenues when all applicable eligibility requirements imposed by the provider are met. Expenditures are generally 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, if any, are recorded only when payment is due.

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

The District reports the following major governmental funds:

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

The special revenue fund is utilized to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The special revenue fund was set up to account for the District's Re-Loan Program. The District receives low interest loans from the New Mexico Interstate Stream Commission (NMISC) to lend landowners in the District funds at low interest rates for projects to conserve irrigation water on their property.

The agency fund is used to hold revenues received from the New Mexico State University on behalf of soil and water conservation districts participating in the Pecos River Salt Cedar Control Project. Agency funds are custodial in nature (assets equal liabilities), do not present results of operations and are accounted for using the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity, if applicable, has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided such as grant administration fees and interest charged to land owners on loans for conservation projects, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment such as the Bureau of Reclamation (BOR) grant, Bureau of Land Management (BLM) grants, Bingaman Riparian Restoration grant and various state and federal grants. Internally designated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

**D. Assets, Liabilities, and Net Assets or Fund Balance**

1. Cash, cash equivalent and investments

The District's cash and cash equivalents consist of demand deposits, money market accounts and time deposits. State statutes authorize the District to invest in obligations of the U.S. Treasury, repurchase agreements, and certificates of deposit. Investments for the government, if applicable, are reported at fair value.

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. All amounts are expected to be repaid within one year.

The loans receivable balance is considered fully collectible therefore no allowance for uncollectible accounts had been established.

Property taxes attach an enforceable lien as of January 1. Taxes are payable in equal semi-annual installments on November 10 and April 10 of the subsequent year. The taxes become delinquent thirty days after the due date. The taxes are collected by the Eddy County Treasurer and are remitted to the District in the month following collection.

The District's accounts payable consist of amounts due to vendors and service providers such as subcontractors who have worked on conservation projects for the products purchased and service received in the current year but are paid for in the next fiscal year.

3. Net Assets and Fund Balance

The difference between the District's assets and liabilities is its net assets. The District's net assets consist of three components – invested in capital assets net of related debt, which is the cost of capital assets, net of accumulated depreciation, unrestricted net assets, and restricted net assets - wherein the constraints are placed on net asset use either by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. As reported in Exhibit 1, the District's net assets as of June 30, 2009 consist of \$369,791 invested in capital assets, \$54,832 is restricted for NMFA loan repayment, \$2,470 is restricted for ISC loan repayment, \$115,728 is reserved for conservation grants and the remaining net assets of \$150,581 are unrestricted.



STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

In fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation and/or are legally restricted by outside parties for use for a specific purpose. As reported in Exhibit 3, the fund balance in Special Revenue Fund pertains to Interstate Stream Fund which is reserved for debt service and re-loans to land owners in the amounts of \$2,470 and \$43,954 respectively. In the General Fund, \$54,832 is reserved for the NMFA loan, \$115,728 is reserved for conservation grants and the rest of the fund balance \$111,373 is unreserved. Fund balance designations may be established to indicate tentative plans for financial resource utilization in a future period. The District uses available cash resources to balance the subsequent year budget.

4. Capital Assets

Capital assets, which include property and equipment (including software), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by state law as assets with an initial cost of \$5,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized.

Property and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

Buildings	39 years
Vehicles	5 years
Office equipment	5 years
Light equipment	7 years
Computer equipment	5 years

5. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide financial statements. A current liability for these amounts is reported in the governmental funds only if they are due and payable at year end, for example, as a result of resignations and retirements.

According to District policy, employees accrue leave at 3.08 hours per pay period if employed less than two years, increasing to 3.69 hours for 3 to 5 years, then to 4.62 hours for less than ten years, 5.54 hours for less than 15 years, 6.46 hours for less than 20 years, and 7.69 hours for 21 or more years. Employees may not carry more than 120 hours forward from one calendar year to the next.

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

**II. Stewardship, Compliance and Accountability**  
**A. Budgetary Information**

The budget is prepared on a basis that differs from accounting principles generally accepted in the United States of America (GAAP). GAAP basis revenues and expenditures include accrued amounts. The revenues and expenditures reported in the budgetary comparisons are generally recorded on the cash basis. The District uses the following procedures to establish the budgeted amounts reflected in the budgetary comparisons:

1. Prior to April 1, the Budget Committee submits to the District Board of Supervisors a proposed revenue and expenditure budget for the fiscal year beginning July 1.
2. The Board reviews the budget proposal and makes any necessary adjustments.
3. Prior to June 1, the Board approves the budget by passing a resolution.
4. Prior to June 20, the approved budget is submitted to the State of New Mexico, Department of Finance and Administration, Local Government Division (DFA-LGD) for approval by the first Monday of September. The Board receives notice of the approved budget.

The legal level at which actual expenditures may not exceed budgeted expenditures is at the total fund level. The Board can revise its budget with the approval of DFA-LGD. Encumbrance accounting is not utilized by the District.

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

**B. Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis Financial Statements**

	General Fund	Special Revenue Fund
Non-GAAP revenues (Exhibit 5)	\$ 1,680,585	\$ 8,284
Less prior year receivables	(146,457)	-
Less District's CIG grant match	14,277	-
Current year receivables	68,239	-
Less prior year loans receivables	-	(43,164)
Prior year loans receivables	4,193	36,606
Restricted reserve interest	(6)	-
GAAP revenues (Exhibit 4)	<u>\$ 1,620,831</u>	<u>\$ 1,726</u>
Non-GAAP expenditures (Exhibit 5)	\$ 2,580,287	\$ 8,221
Less prior year payables and accruals	(721,336)	-
Current year payables	158,430	-
Less current year payable related to revenues	(147,000)	-
District's CIG grant match	14,277	-
GAAP expenditures (Exhibit 4)	<u>\$ 1,884,658</u>	<u>\$ 8,221</u>

**III. Detailed Notes on all Funds**

**A. Cash**

As of June 30, 2009, the District had a carrying amount of deposits of \$407,541 of which \$2,312 is held by and restricted to the repayment of New Mexico Finance Authority debt. The balances on deposit were \$453,055 . The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$45,514 . The total bank balance consisted of the following:

STATE OF NEW MEXICO  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

<u>Western Commerce Bank:</u>	
Demand deposits	\$ 133,418
Less: FDIC coverage	(133,418)
Balance Subject to Collateralization	<u>\$ -</u>
<u>Eddy Federal Credit Union:</u>	
Demand deposits	\$ 14,818
Less: FDIC coverage	(14,818)
Amount uninsured	<u>\$ -</u>
<u>Eddy Federal Credit Union:</u>	
Time deposits	\$ 78,500
Less: FDIC coverage	(78,500)
Amount uninsured	<u>\$ -</u>
<u>Carlsbad National Bank:</u>	
Time deposits	\$ 74,408
Less: FDIC coverage	(74,408)
Amount uninsured	<u>\$ -</u>
<u>Pioneer Bank:</u>	
Money Market Account	\$ 98,387
Less: FDIC coverage	(98,387)
Amount uninsured	<u>\$ -</u>
<u>Carlsbad National Bank:</u>	
Demand deposits	\$ 51,213
Less: FDIC coverage	(51,213)
Balance Subject to Collateralization	<u>\$ -</u>
<u>New Mexico Finance Authority</u>	
Money Market Account	\$ 2,312
Less: FDIC coverage	(2,312)
Amount uninsured	<u>\$ -</u>

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk.

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

The demand deposits at the Carlsbad National bank were not exposed to custodial credit risk as they were covered by FDIC insurance. The following are pledged securities, not in the name of the District, that would have protected the District's uninsured demand deposits up to the fair market value amount, had the District had any during the fiscal year 2009. The security listed below is held at the Federal Home Loan Bank of Dallas.

Description:	FNMA ARM POOL #535417
CUSIP #:	31384VYN6
Maturity:	5/01/2036
Location:	Federal Home Loan Bank of Dallas
Par value:	\$121,444
Fair market value:	\$121,083

The demand deposits at the Western Commerce bank were not exposed to custodial credit risk as they were covered by FDIC insurance. The following are pledged securities, not in the name of the District, that would have protected the District's uninsured demand deposits up to the fair market value amount, had the District had any during the fiscal year 2009. All of the pledged securities listed below are held at the Federal Home Loan Bank of Dallas.

Description	CUSIP#	Maturity	Par Value	FMV
GNMA	8833	03/20/26	112,759	\$ 115,604
GNMA	8580	01/20/25	22,586	23,212
GNMA	80113	09/20/27	16,061	16,387
GNMA	80045	02/20/27	13,814	14,161
GNMA	80493	02/20/31	79,062	80,990
GNMA	2689	12/20/28	78,669	85,049
GNMA	80416	06/20/30	15,950	16,480
GNMA	80136	11/20/27	29,202	29,705
GNMA	888407	09/01/36	1,713,509	1,749,497
Total Fair Market Value of Pledged Securities				<u>\$ 2,131,085</u>

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

Description	Balance 06/30/08	Additions	Deletions	Balance 06/30/09
Capital Assets Not Depreciated				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Capital Assets Depreciated				
Buildings	\$ 425,024	-	-	\$ 425,024
Vehicles	40,680	-	-	40,680
Equipment	66,379	-	5,402	60,977
Total Capital Assets Depreciated	532,082	-	5,402	526,680
Less: Accumulated Depreciation				
Building	\$ 37,910	\$ 10,284	\$ -	\$ 48,194
Vehicles	18,884	4,289	-	23,173
Equipment	50,817	5,275	5,402	50,690
Total Accumulated Depreciation	107,611	19,848	5,402	122,057
Net Total Capital Assets Depreciated	424,471	19,848	-	404,623
Net Total Capital Assets	\$ 444,471	\$ 19,848	\$ -	\$ 424,623

Depreciation of the District is all charged to the conservation function.

**C. Long-Term Debt**

Notes Payable

On May 23, 2001, the District obtained a \$144,444 loan from the New Mexico Finance Authority to payoff and refinance the note payable at the Western Commerce Bank which was obtained to finance the purchase of the District's office building. Semi-annual principal, interest and administrative fee payments were due starting November 11, 2001. This loan balance was paid off during fiscal year 2009 as follows:

Year	Principal	Interest	Total
2009	\$49,956	\$ 2,148	\$ 52,104
Total Paid	\$49,956	\$ 2,148	\$ 52,104

The second notes payable balance consists of loan balances due the NMISC. Generally, the loans are repayable in annual installments over 20 years at the interest rate of two and one-half percent. As of June 30, 2009, the District has one outstanding loan with the NMISC:

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

The promissory note is dated September 10, 2001, the loan amount was \$49,000 and principal and interest payments of \$3,143 was due on July 1, 2004 and \$3,143 annually thereafter on July 1, 2004 through July 1, 2010.

Debt service requirements to maturity for this loan are as follows:

Year	Principal	Interest	Total
2010	\$ 2,470	\$ 62	\$ 2,532
Total Due	\$ 2,470	\$ 62	\$ 2,532

On April 14, 2006, the District obtained a \$75,000 loan from the New Mexico Finance Authority which was obtained to finance the purchase of the District's construction and equipment. Monthly principal, interest and administrative fee payments are due starting June 1, 2006.

The following are the debt service requirements to maturity for this loan:

Year	Principal	Interest	Total
2010	\$ 7,154	\$ 1,508	\$ 8,662
2011	7,370	1,311	8,681
2012	7,591	1,108	8,699
2013	7,819	900	8,719
2014	8,055	685	8,740
2015-2016	16,843	698	17,541
Total Due	\$ 54,832	\$ 6,210	\$ 61,042

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

Changes in Long-term Liabilities

Long-term debt activity for the year ended June 30, 2009 was as follows:

Description	Balance 06/30/08	Additons	Deletions	Balance 06/30/09	Principal due within 1 year
Note Payable NMISC	\$ 5,477	\$ -	\$ 3,007	2,470	\$ 2,470
Note Payable NMFA	49,956	-	49,956	-	-
Note Payble NMFA	61,777	-	6,945	54,832	7,154
Compensated Absenses	1,581	3,748	3,052	2,277	2,277
<b>Total Long-Term Liabilities</b>	<b>\$ 118,791</b>	<b>\$ 3,748</b>	<b>\$ 62,960</b>	<b>\$ 59,579</b>	<b>\$ 11,901</b>

Compensated absences are generally liquidated by the general fund.

**IV. Other Information**

**A. Employee Retirement Benefits**

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

Funding Policy. Plan members are required to contribute 7% of their gross salary. The District is required to contribute 7% of the gross covered salary. The contribution requirements of plan members and the District are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District’s contributions to PERA for the years ended June 30, 2009, 2008, and 2007 are \$5,113, \$6,509 and \$6,697 respectively, equal to the amount of required contributions each year.



STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

**B. Risk Management**

The District is exposed to various risks of loss due to torts, theft or damage of assets, errors and omissions and natural disasters. The District's supervisors and employees are covered by an errors and omissions liability policy purchased by the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,050,000 for each wrongful act and \$1,050,000 for the policy aggregated. The District is required to obtain a corporate surety bond on behalf of persons responsible for District assets. The District currently maintains a \$100,000 surety bond as well as commercial property coverage. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

**C. Related Party Transactions**

There was one related party transaction for the fiscal year ended June 30, 2009. No additional loans to related parties were approved by the Board of Supervisors. A loan previously approved by the Board for Nathan Jurva (J & J Farms) had an outstanding balance at the end of the year of \$4,051.78. The interest rate of 4% is the same applied to loans made to non-related parties in prior fiscal years.

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

**D. Joint Powers Agreement – Pecos River Salt Cedar Control Project**

During the 2002 session, the New Mexico State Legislature appropriated \$2.5 million to the New Mexico Department of Agriculture to remove salt cedar from the Pecos River Basin. As a result of this appropriation, a joint powers agreement was established for this project. The terms of the agreement are summarized as follows:

Date of agreement:	June 24, 2002
Participants:	New Mexico Association of Conservation Districts and the Carlsbad, Chaves, Central Valley, Hagerman-Dexter, DeBaca, Penasco, Guadalupe, Upper Hondo, and Tierra Y Montes Soil and Water Conservation Districts
Responsible party for operations:	Carlsbad Soil and Water Conservation District
Description:	Pecos River Salt Cedar Control Project
Beginning and ending Date of agreement:	Original agreement: July 1, 2002 to June 30, 2004 Extension of original agreement (with some revision): July 1, 2004 until the funding or resources cease.
Total estimated amount:	\$4,506,666
Amount expended to date:	\$5,305,256
Audit responsibility:	New Mexico State University, New Mexico Department of Agriculture
Fiscal agent:	Carlsbad Soil and Water Conservation District
The government agency where revenues and expenditures are reported:	New Mexico State University

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

**E. Joint Powers Agreement – Penasco River Improvement Project Vegetation Management Project**

The New Mexico Environment Department, authorized to receive and expend funds for purposes consistent with the Water Quality Act and funded in part by an Assistance Agreement with the United States Environmental Protection Agency, entered into a joint powers agreement with the district to complete the project described below:

Date of agreement:	August 16, 2006
Participants:	New Mexico Environment Department and Carlsbad Soil and Water Conservation District
Responsible party for operations:	Carlsbad Soil and Water Conservation District
Description:	Penasco River Improvement Project Vegetation Management
Beginning and ending Date of agreement:	August 16, 2006 through December 31, 2008.
Total estimated amount:	\$366,250
Amount expended to date:	\$87,411
Audit responsibility:	New Mexico Environment Department
The government agency where revenues and expenditures are reported:	New Mexico State University

**F. Overexpended Budget**

In the General Fund actual expenditures exceeded budgeted expenditures by \$38,520 at the fund, or legal, level of compliance.

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
June 30, 2009

	Beginning Balance 6/30/2008	Additions	Deletions	Ending Balance 6/30/2009
<b>Assets</b>				
Cash	\$ 35,359	\$ 358,700	\$ 368,460	\$ 25,599
Total assets	<u>\$ 35,359</u>	<u>\$ 358,700</u>	<u>\$ 368,460</u>	<u>\$ 25,599</u>
<b>Liabilities</b>				
Liabilities:				
Accounts payable	\$ -	\$ 21,864	\$ -	\$ 21,864
Due to other agencies	35,359	336,836	368,460	3,735
Total liabilities	<u>\$ 35,359</u>	<u>\$ 358,700</u>	<u>\$ 368,460</u>	<u>\$ 25,599</u>

The notes to the financial statements are an integral part of this statement

CARLSBAD SOIL AND WATER CONSERVATION DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended June 30, 2009

NAME OF AGENCY/PROGRAM	GRANT ID#	CFDA NO	TOTAL AWARDS EXPENDED
United States Department of the Interior Noxious Weed Integrated Management Project	GDA080011	15.230	\$ 299,470 (1)
United States Department of the Interior Restore New Mexico Program	GDA070006	15.231	1,165,668 (1)
United States Department of the Interior Pecos River Saltcedar Management Demonstration Project	06-FC-40-2537	15.517	99,478
United States Department of Agriculture Bingaman Riparian Funds	68-8C30-05-983	10.902	19,202
United States Environmental Protection Agency Nonpoint Source Implementation Grants	C9-99610112	66.460	78,582
			\$ 1,662,400

(1) Major Program

(2) This schedule is prepared on the cash basis.

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



# JOHNSON, MILLER & CO.

Certified Public Accountants

A Professional Corporation

An Independent Member Of BDO Seidman Alliance

Hobbs, New Mexico

Midland, Texas

Odessa, Texas

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
Chairperson, Members of the Board of Supervisors  
Carlsbad Soil & Water Conservation District  
3219 S. Canal  
Carlsbad, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds of the Carlsbad Soil and Water District (the District), as of and for the year ended June 30, 2009, and have issued our report thereon dated December 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control. We consider the deficiency described at 07-01 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

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

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
Chairperson, Members of the Board of Supervisors  
Carlsbad Soil & Water Conservation District  
3219 S. Canal  
Carlsbad, New Mexico

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not a material weakness.

#### Compliance and Other Matters

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

We noted one certain other matter that is required to be reported under *Government Auditing Standards* paragraph 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as finding 09-01.

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

This report is intended solely for the information and use of the Board of Commissioners, management, others within the agency, the New Mexico State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

*Johnson, Miller & Co.*

Hobbs, New Mexico  
December 1, 2009





# JOHNSON, MILLER & CO.

Certified Public Accountants

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Hobbs, New Mexico

Midland, Texas

Odessa, Texas

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

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
Chairperson, Members of the Board of Supervisors  
Carlsbad Soil & Water Conservation District  
3219 S. Canal  
Carlsbad, New Mexico

### Compliance

We have audited the compliance of Carlsbad Soil and Water District (the District) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB A-133 and are described in the accompanying schedule as items 09-02 and 09-03.

### Internal Control Over Compliance

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

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
Chairperson, Members of the Board of Supervisors  
Carlsbad Soil & Water Conservation District  
3219 S. Canal  
Carlsbad, New Mexico

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described at 09-02 and 09-03 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the deficiencies described at 09-02 and 09-03 in the accompanying schedule of findings and questioned costs to be deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

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

This report is intended solely for the information and use of the members of the Board of Supervisors, management, others within the agency, the New Mexico State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

*Johnson, Miller & Co.*

Hobbs, New Mexico  
December 1, 2009

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

JUNE 30, 2009

**Schedule of Findings and Questioned Costs  
Summary of Auditors' Results  
June 30, 2009**

<u>ITEM</u>	<u>DESCRIPTION</u>
Type of report on financial statements	Unqualified opinion
Other matters	One
Significant Deficiencies in Internal Control	One
Material Weaknesses in Internal Control	None
Noncompliance Material to the Financial Statements	The level of noncompliance was not material in relation to financial statements covering federal programs.
Significant Deficiencies in Internal Control over Major Programs	Two
Material Weaknesses in Internal Control over Major Programs	Two
Type of Report on Compliance with Major Programs	Unqualified opinion
Audit Findings Required to be Reported under 510(a) of Circular A-133	Two
Findings and Questioned Costs for Federal Awards	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low Risk Auditee Statements	The District is not a low risk Auditee.
Major Federal program	United States Department of the Interior Noxious Weed Integrated Management Project Restore New Mexico Programs
Pass Through Entity	New Mexico Association of Conservation Districts

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

JUNE 30, 2009

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**07-01 Preparation of Financial Statements**

Condition

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

Criteria

The District's system of internal control should include controls over financial statement preparation, including footnote disclosure.

Effect

Insufficient controls over the preparation of financial statements and related disclosures limits the District's ability to prevent or detect a misstatement in its financial statements.

Cause

The District does not have the personnel or time to prepare the financial statements and related disclosures.

Recommendation

We recommend the District's management and personnel receive training on financial reporting.

District's Response

At this time the District is restricted by the limited number of employees with the large amount of projects that are ongoing. The Board of Supervisors' allow the employees to attend training as time allows, but do not have the administrative funds for an employee to be fully trained in governmental accounting.

**09-01 Over Expended Budget**

Condition

The District over expended the budget for the General Fund by \$38,520.

Criteria

Section 6-6-6 NMSA 1978, states that when any budget for a local public body has been approved and received by a local public body, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof.

Effect

The District did not comply with Section 6-6-6 NMSA 1978.

Cause

An amended budget, including payment of NMFA loan was not submitted to the DFA for approval before over expenditure occurred.

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

JUNE 30, 2009

Recommendation

The District needs to closely monitor its budget status and submit timely budgetary adjustments as stipulated under Section 6-6-6 NSMA 1978.

District's Response:

Without training in governmental accounting, there was an oversight in the budget not being adjusted to reflect the loan payoff.

**Federal Awards Findings**

**09-02 Compliance with Federal Funds Period of Availability Requirement**

Condition

The District electronically requested and received \$147,000 in excess of the approved Financial Assistance Agreement in effect with the Bureau of Land Management (BLM).

Criteria

Grant agreement GDA080011 between the District and BLM had a not-to-exceed amount of \$223,400 for the grant period October 1, 2008 through September 30, 2009. The District received \$370,400 related to this grant during that time period.

Effect

The District did not comply with payment provisions as they apply to draw downs of federal funds.

Cause

During the Department of Interior Financial and Business Management System (FBMS) upgrade implementation, a system error occurred, causing grant amounts from fiscal year 2007 to erroneously post in fiscal year 2009. These funds became available for draw down, which the District did.

Recommendation

We recommend that in the future the District do not draw down monies for which there is not a grant agreement in effect that allows for these funds.

District's Response

This was a misunderstanding by the District and future funds will not be drawn down until an agreement has been signed. The excess funds have been sent back to the Department of Interior.

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

JUNE 30, 2009

**09-03 Compliance with Federal Funds Reporting Requirement**

Condition

The District did not submit quarterly reports to the Bureau of Land Management (BLM) Office as required under Financial Assistance Agreement GDA080011.

Criteria

The BLM Financial Assistance Agreement GDA08001, under section IX. Deliverables and Reports, requires the District to submit to the Grant Management Officer quarterly Financial Status Reports as well as Performance Reports due 30 calendar days after the end of the quarterly reporting period.

Effect

The District did not comply with reporting requirements set forth in the BLM's financial assistance agreement.

Cause

The District maintains close communication with the BLM's office in Carlsbad and felt that quarterly reports were not necessary since this office is updated frequently on projects' progress.

Recommendation

The District should review grant agreements and follow through with established reporting requirements.

District's Response

Future grant agreements will be reviewed carefully by the District to verify that all guidelines are followed. The quarterly Financial Status Reports have been brought up to date.

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

JUNE 30, 2009

**SCHEDULE OF STATUS OF PRIOR FINDINGS**

STATUS OF PRIOR YEAR AUDIT FINDINGS

- 07-1 Preparation of Financial Statements – Repeated
- 07-3 Recording the Cash Accounts of the District – Resolved
- 07-4 Sealed Bid Process – Resolved
- 07-5 Program Income – Resolved

**FINANCIAL STATEMENT PRESENTATION**

The financial statements were prepared from the original books and records of Carlsbad Soil & Water Conservation District as of June 30, 2009 by Johnson, Miller & Co., Certified Public Accountants, A Professional Corporation.

STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

JUNE 30, 2009

**OTHER DISCLOSURES**  
**Year Ended June 30, 2009**

EXIT CONFERENCE

The contents of this report and its schedules were discussed on November 20, 2009. The following persons were in attendance.

District Officials

Auditors

Ron Head, Secretary/Treasurer

Mary Hinds, CPA

Judy Bock, District Manager



