

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2010
(With Independent Auditor's Report Thereon)

**State of New Mexico
 Carlsbad Soil and Water Conservation District
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 June 30, 2010**

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**State of New Mexico
Carlsbad Soil and Water Conservation District
Official Roster
June 30, 2010**

Board of Supervisors

Position

Ridley Garner

Chairperson

Nathan Jurva

Vice-Chairperson

Ron Head

Secretary/Treasurer

Tyson Mahaffey

Supervisor

James Walterscheid

Supervisor

Raymond Nance

Supervisor

Jimmie Cisneros

Supervisor

District Personnel

Judy Bock

District Manager

Judith Ortego

Administrative Assistant

Nancy Painter

Clerk

Financial Section

**Dan Austin CPA, PC
700 Mechem Drive
Ruidoso, NM 88345**

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
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, 2010, 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.

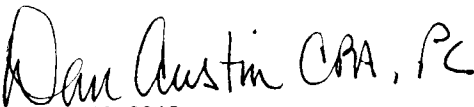
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2010, 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 November 19, 2010 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.


November 19, 2010

**STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

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, 2010.

Financial Highlights

The assets of the Carlsbad SWCD exceeded its liabilities at the close of the most recent fiscal year by \$951,354 (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 assets increased by \$99,163 and liabilities decreased by \$158,789. The increase in total assets is a result of an increase in net assets of \$257,952 by the District. The decrease in liabilities is the result of fewer outstanding payments related to District's projects due at June 30, 2010.

As of close of the current fiscal year, the Carlsbad SWCD's governmental funds reported an ending balance of \$594,179, an increase of \$265,822 in comparison with the prior year. Of the ending balance \$130,882 is reserved, designated fund balance; \$2,320 is reserved for payments to the New Mexico Finance Authority against loan principal, \$47,677. \$130,882 is reserved for conservation grants as designated in written agreements. Approximately 78 percent of the ending total fund balance amount of \$594,179, 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 \$424,210, or 36 percent of total general fund expenditures.

The Carlsbad SWCD's total debt decreased by \$158,789 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).

**STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

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 may meet the needs of the local users of soil, water, and related natural resources.

The government-wide financial statements can be found on pages 11-12 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 13-16 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 \$951,354 at the close of the most recent fiscal year.

**STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

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

| | Government Activities | |
|--|-----------------------|-------------------|
| | <u>2010</u> | <u>2009</u> |
| Current and other assets | \$ 603,598 | \$ 486,787 |
| Capital assets | <u>406,975</u> | <u>424,623</u> |
| Total assets | <u>1,010,573</u> | <u>911,410</u> |
| | | |
| Long-term liabilities | 40,307 | 47,677 |
| Other liabilities | <u>18,912</u> | <u>170,331</u> |
| Total liabilities | <u>59,219</u> | <u>218,008</u> |
| | | |
| Net assets: | | |
| Invested in capital assets net of related debt | 359,298 | 369,791 |
| Restricted | 133,201 | 173,030 |
| Unrestricted | <u>458,855</u> | <u>150,581</u> |
| Total net assets | <u>\$ 951,354</u> | <u>\$ 693,402</u> |

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 (\$458,855) may be used to meet the District's ongoing obligations to citizens and creditors.

During the current fiscal year, the District's assets increased by \$99,163 and other liabilities decreased by \$151,419. The increase in net assets is a result of increased operational 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, 2010.

**STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Governmental activities. Governmental activities increased the Carlsbad SWCD's net assets by \$257,952. Key elements of this decrease are as follows:

Carlsbad Soil and Water Conservation District
Changes in Net Assets

| | <u>2010</u> | <u>2009</u> |
|----------------------------------|-------------|--------------|
| Revenues: | | |
| Program revenues: | | |
| Federal operating grants | \$ 874,740 | \$ 1,245,781 |
| State and other operating grants | 250,319 | 120,947 |
| Charges for services | 19,895 | 1,726 |
| General revenues: | | |
| State appropriation | 55,814 | 10,751 |
| Property taxes | 256,693 | 235,326 |
| Interest | 3,597 | 3,833 |
| Total Revenues | 1,461,058 | 1,618,364 |
| | | |
| Program Expenses: | | |
| Administration | 179,198 | 199,846 |
| Conservation programs | 1,006,260 | 1,633,822 |
| Depreciation | 17,648 | 19,848 |
| Total Program Expense | 1,203,106 | 1,853,516 |
| Change in Net Assets | 257,952 | (235,152) |
| Beginning Net Assets | 693,402 | 928,554 |
| Ending Net Assets | \$ 951,354 | \$ 693,402 |

Decrease in federal funding (\$371,041) is due to a decrease funds received from the Bureau of Land Management designated for restoration, reclamation and noxious weed control projects. Increase in state funding \$129,372 is mainly due to the District experiencing an increase in funding for the Playa Lakes Joint venture project.

Conservation program expenses decreased by \$627,562; this decrease is proportionate to the decrease in total revenues \$371,311 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.

**STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

As of the end of the current fiscal year, the Carlsbad SWCD' governmental funds reported combined ending fund balances of \$594,179 a increase of \$257,952 in comparison with the prior year. Approximately 78 percent of the ending fund balance amount \$460,977 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 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 a decrease in grant revenues and expected expenses. Details of the budget adjustments is reported on page 17.

Debt Administration

During the current fiscal year the Carlsbad SWCD paid off the New Mexico Interstate Stream Commission loan used to fund conservation projects.

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 2011.

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, 2010**

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 423,237 |
| Property Tax Receivable | 19,357 |
| Grants Receivable | 130,881 |
| Restricted Cash | 2,320 |
| Loans Receivable | 27,803 |
| Capital assets, Net | <u>406,975</u> |
| Total assets | <u>1,010,573</u> |
| Liabilities | |
| Current Liabilities | |
| Accounts Payable | 9,419 |
| Current Long-Term Debt | 7,370 |
| Compensated Absence | 2,123 |
| Noncurrent liabilities: | |
| Long-Term Debt | <u>40,307</u> |
| Total liabilities | <u>59,219</u> |
| Net Assets | |
| Invested in capital assets, net of related debt | 359,298 |
| Restricted: | |
| Debt Service | 2,320 |
| Conservation Grant Purposes | 130,881 |
| Unrestricted | <u>458,855</u> |
| Total Net Assets | <u>\$ 951,354</u> |

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

**STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| | Governmental Activites |
|--|---------------------------|
| Program Expenses: | |
| Administration | \$ 196,846 |
| Conservation Programs | 1,006,260 |
| Total program expenses | 1,203,106 |
| Program Revenues: | |
| Charges for services | 19,895 |
| State operating grants and contracts | 250,319 |
| Federal operating grants and contracts | 874,740 |
| Total program revenues | 1,144,954 |
| Net program (expense) revenue | (58,152) |
| General Revenues: | |
| State appropriation | 55,814 |
| Property taxes | 256,693 |
| Interest | 3,597 |
| Total general revenues | 316,104 |
| Change in net assets | 257,952 |
| Net assets at beginning of year | 693,402 |
| Net assets at end of year | \$ 951,354 |

The notes to the financial statements are an intregal part of these financial statements.

**STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010**

| | General Fund | Special Revenue Fund | Total |
|-------------------------------------|-----------------|-------------------------|------------|
| Assets | | | |
| Cash and cash equivalents | \$ 414,273 | \$ 8,964 | \$ 423,237 |
| Property Tax Receivable | 19,357 | - | 19,357 |
| Grants Receivable | 130,881 | - | 130,881 |
| Restricted Cash | 2,320 | - | 2,320 |
| Loans Receivable | - | 27,803 | 27,803 |
| | <hr/> | | |
| Total assets | 566,831 | 36,767 | 603,598 |
| <hr/> | | | |
| Liabilities and Fund Balance | | | |
| Liabilities: | | | |
| Accounts payable | 9,419 | - | 9,419 |
| Accrued Payroll | - | - | - |
| | <hr/> | | |
| Total liabilities | 9,419 | - | 9,419 |
| <hr/> | | | |
| Fund balance: | | | |
| Reserved for Debt Service | 2,320 | - | 2,320 |
| Reserved for Conservation Grants | 130,882 | - | 130,882 |
| Unreserved, undesignated | 424,210 | 36,767 | 460,977 |
| | <hr/> | | |
| Total fund balance | 557,412 | 36,767 | 594,179 |
| | <hr/> | | |
| Total liabilities and fund balance | \$ 566,831 | \$ 36,767 | \$ 603,598 |
| | <hr/> | | |

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

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS-
TO THE STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

| | | |
|---|----|-----------------------|
| Fund Balance - Balance Sheet - Government Funds | \$ | 594,179 |
| Capital Assets not reported in the government funds, and are reported net of accumulated depreciation | | 406,975 |
| Compensated absences not reported in the government funds | | (2,123) |
| Debt principal not recorded in the government funds and reported in the Statement of net Assets | | <u>(47,677)</u> |
| Net Assets - Statement of Net Assets | \$ | <u><u>951,354</u></u> |

The notes to the financial payments are an intregal part of the financial

**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, 2010**

| | General Fund | Special Revenue Fund | Total |
|---|-------------------|-------------------------|-------------------|
| Revenues | | | |
| State Appropriation | \$ 55,814 | \$ - | \$ 55,814 |
| Mill Levy | 256,693 | - | 256,693 |
| NMSWCC Grant | 52,083 | - | 52,083 |
| ENMRD Grant | 1,276 | - | 1,276 |
| Bingaman Riparian Grant | 35,369 | - | 35,369 |
| National Fish and Wildlife Foundation Grant | 17,000 | - | 17,000 |
| BLM-Noxious Weed Grant | 71,000 | - | 71,000 |
| Playa Lakes Joint Venture Grant | 179,960 | - | 179,960 |
| BLM-NMACD | 265,773 | - | 265,773 |
| Bureau of Reclamation-Assistance Agreement | 43,948 | - | 43,948 |
| BLM-Assistance Agreements | 458,650 | - | 458,650 |
| New Mexico Department of Agriculture | 9,533 | - | 9,533 |
| Miscellaneous Revenue | 18,862 | - | 18,862 |
| Restricted Interest | 9 | - | 9 |
| Interest Income | 2,124 | 1,464 | 3,588 |
| Total revenues | <u>1,468,094</u> | <u>1,464</u> | <u>1,469,558</u> |
| Expenditures | | | |
| Current: | | | |
| Bond and insurance | 5,267 | - | 5,267 |
| Debt Service | 8,798 | - | 8,798 |
| Building Maintenance | 5,867 | - | 5,867 |
| Community Projects | 79,046 | - | 79,046 |
| Contractual Services | 35,207 | - | 35,207 |
| District Projects | 700,444 | - | 700,444 |
| Dues and subscriptions | 2,690 | - | 2,690 |
| Eddy County Fair | 150 | - | 150 |
| Salaries and benefits | 83,838 | - | 83,838 |
| Information and education | 15,813 | - | 15,813 |
| Mailing expense | 1,037 | - | 1,037 |
| Meeting expense | 3,481 | - | 3,481 |
| Miscellaneous | - | 89 | 89 |
| Per Diem | 3,298 | - | 3,298 |
| Supplies | 14,292 | - | 14,292 |
| Utilities | 5,647 | - | 5,647 |
| Vegetation management | 31,236 | - | 31,236 |
| Vehicle operation and maintenance | 960 | - | 960 |
| Watershed Project Expense | 195,544 | - | 195,544 |
| ISC Loan payments | - | 2,532 | 2,532 |
| ISC Loan Administration | - | 8,500 | 8,500 |
| Total expenditures | <u>1,192,615</u> | <u>11,121</u> | <u>1,203,736</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 275,479 | (9,657) | 265,822 |
| Other Financing Sources (Uses) | | | |
| Other Expense | - | - | - |
| Net Other Financing Sources (Uses) | - | - | - |
| Net Change in Fund Balance | 275,479 | (9,657) | 265,822 |
| Fund balance beginning of year as reported | <u>281,933</u> | <u>46,424</u> | <u>328,357</u> |
| Fund balance end of year | <u>\$ 557,412</u> | <u>\$ 36,767</u> | <u>\$ 594,179</u> |

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

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES-
AND CHANGES IN FUND BALANCE-GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Amounts reported for governmental activities in the Statement of Activities are different from the way they are reported in the Statement of Revenues, Expenditures and Changes in Fund Balance as follows:

| | | |
|---|----|-----------------------|
| Net Change in Fund Balance - Government Funds | \$ | 265,822 |
| Change in compensated absences not recorded in the government funds | | (154) |
| Depreciation expense | | (17,648) |
| Principal payments on debt reported as an expenditure in the government funds but recorded as reduction of debt in in the Statement of Net Assets | | <u>9,624</u> |
| Net Assets - Statement of Net Assets | \$ | <u><u>257,644</u></u> |

The notes to the financial statements are an intregal part of these financial statements.

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND AND SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | General Fund | | | | Special Revenue Fund | | | |
|---|-------------------|-------------------|------------------|----------------------------------|----------------------|-----------------|---------------|----------------------------------|
| | Budget | Final Budget | Actual | Variance Favorable (Unfavorable) | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues | | | | | | | | |
| State Appropriation | \$ 21,000 | \$ 55,814 | \$ 55,814 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Mill Levy | 220,000 | 248,503 | 248,503 | - | - | - | - | - |
| NMSWCC Grant | - | 52,083 | 52,083 | - | - | - | - | - |
| ENMRD Grant | - | 1,277 | 1,276 | (1) | - | - | - | - |
| Bingaman Riparian Grant | 35,000 | 36,920 | 35,369 | (1,551) | - | - | - | - |
| National Fish and Wildlife Foundation Grant | 17,000 | 17,000 | 17,000 | - | - | - | - | - |
| BLM-Noxious Weed Grant | 220,000 | 71,000 | 71,000 | - | - | - | - | - |
| Playa Lakes Joint Venture Grant | 20,000 | 179,960 | 179,960 | - | - | - | - | - |
| BLM-NMACD | 750,000 | 286,465 | 265,773 | (20,692) | - | - | - | - |
| Bureau of Reclamation-Assistance Agreement | 25,000 | 53,220 | 43,948 | (9,272) | - | - | - | - |
| BLM-Assistance Agreements | 500,000 | 458,650 | 458,650 | - | - | - | - | - |
| New Mexico Department of Agriculture | 9,900 | 9,533 | 9,533 | - | - | - | - | - |
| Miscellaneous Revenue | - | 18,455 | 18,862 | 407 | - | - | - | - |
| Restricted Interest | - | 8 | 9 | 1 | - | - | - | - |
| Loan Repayments | - | - | - | - | 6,785 | 6,785 | 8,802 | 2,017 |
| Interest Income | 4,000 | 2,125 | 2,124 | (1) | 1,500 | 1,500 | 1,464 | (36) |
| Total revenues | 1,821,900 | 1,491,013 | 1,459,904 | (31,109) | 8,285 | 8,285 | 10,266 | 1,981 |
| Expenditures | | | | | | | | |
| Current: | | | | | | | | |
| Bond and insurance | 5,000 | 5,267 | 5,267 | - | - | - | - | - |
| Debt Service | 8,800 | 8,800 | 8,798 | 2 | - | - | - | - |
| Building Maintenance | 5,000 | 5,870 | 5,867 | 3 | - | - | - | - |
| Community Projects | 282,500 | 79,046 | 79,046 | - | - | - | - | - |
| Contractual Services | 34,100 | 35,210 | 35,207 | 3 | - | - | - | - |
| District Projects | 1,272,000 | 847,999 | 700,444 | 147,555 | - | - | - | - |
| Dues and subscriptions | 4,000 | 2,690 | 2,690 | - | - | - | - | - |
| Eddy County Fair | 500 | 150 | 150 | - | - | - | - | - |
| Salaries and benefits | 125,252 | 85,737 | 83,838 | 1,899 | - | - | - | - |
| Information and education | 15,000 | 17,000 | 15,813 | 1,187 | - | - | - | - |
| Mailing expense | 900 | 1,040 | 1,037 | 3 | - | - | - | - |
| Meeting expense | 2,000 | 3,485 | 3,481 | 4 | - | - | - | - |
| Miscellaneous | - | - | - | - | - | 100 | 89 | 11 |
| Per Diem | 7,000 | 3,750 | 3,298 | 452 | - | - | - | - |
| Supplies | 10,000 | 14,300 | 14,292 | 8 | - | - | - | - |
| Utilities | 6,150 | 5,655 | 5,647 | 8 | - | - | - | - |
| Vegetation management | 45,000 | 31,240 | 31,236 | 4 | - | - | - | - |
| Vehicle operation and maintenance | 2,000 | 960 | 960 | - | - | - | - | - |
| Watershed Project Expense | - | 202,882 | 195,544 | 7,338 | - | - | - | - |
| ISC Loan payments | - | - | - | - | 3,145 | 2,532 | 2,532 | - |
| ISC Loan administration | - | - | - | - | 5,100 | 8,500 | 8,500 | - |
| Total expenditures | 1,825,202 | 1,351,081 | 1,192,615 | \$ 158,466 | 8,245 | 11,132 | 11,121 | \$ 11 |
| Excess (Deficiency) of Revenues over Expenditures | (3,302) | 139,932 | \$ 267,289 | | 40 | (2,847) | \$ (855) | |
| Cash Balance, Beginning | 369,812 | 369,812 | | | 9,818 | 9,818 | | |
| Cash Balance, Ending | <u>\$ 366,510</u> | <u>\$ 509,744</u> | | | <u>\$ 9,858</u> | <u>\$ 6,971</u> | | |

| | |
|---|-------------------|
| Reconciliation to GAAP Basis | |
| Change in Accounts Payable | - |
| Change in Taxes Receivable | 8,190 |
| Excess (Deficiency) Revenues over Expense | <u>\$ 275,479</u> |

| | |
|---|-------------------|
| Reconciliation to GAAP Basis | |
| Change in Accounts Payable | - |
| Change in Accounts Receivable | (8,802) |
| Excess (Deficiency) Revenues over Expense | <u>\$ (9,657)</u> |

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

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2010

| | <u>Agency Fund</u> |
|-----------------------|------------------------|
| Assets | |
| Cash | \$ <u>22,960</u> |
| | <u>\$ 22,960</u> |
| Liabilities | |
| Accounts Payable | \$ - |
| Due To Other Agencies | <u>22,960</u> |
| Total Liabilities | <u>\$ 22,960</u> |

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

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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, however it does apply applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

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

**STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

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.

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.

**STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

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

D. Assets, Liabilities, and Net Assets or 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, the District's net assets as of June 30, 2010 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.

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 the fund balance in the General Fund, \$2,320 is reserved for the NMFA loan, \$130,882 is reserved for conservation grants and the rest of the fund balance \$424,210 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.

**STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

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.

Stewardship, Compliance and Accountability

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:

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.

**STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

The Board reviews the budget proposal and makes any necessary adjustments.

Prior to June 1, the Board approves the budget by passing a resolution.

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.

Detailed Notes on all Funds

A. Cash

As of June 30, 2010, the District had a carrying amount of deposits as authorized by the New Mexico Constitution of \$425,557 of which \$2,320 is held by and restricted to the repayment of New Mexico Finance Authority debt. The balances on deposit were \$518,696. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$93,139.

The total bank balances consisted of the following:

| Depository | Account Type | Fund Type | Balance | Reconciling Items | | Balance Per |
|---------------------------|--------------|--------------|-------------------|--------------------|-------------|----------------------|
| | | | Per Depository | Outstanding Checks | Deposits | Financial Statements |
| Unrestricted Cash: | | | | | | |
| Carlsbad National Bank | Checking | Investment | \$ 74,641 | \$ - | \$ - | \$ 74,641 |
| Eddy Federal Savings | Checking | Investment | 79,288 | - | - | 79,288 |
| Pioneer Bank | Checking | Investment | 99,271 | - | - | 99,271 |
| Western Commerce | Checking | Operating | 254,212 | (93,139) | - | 161,073 |
| Eddy Federal Savings | Checking | Operating | 8,964 | - | - | 8,964 |
| Total unrestricted cash | | | <u>516,376</u> | <u>(93,139)</u> | <u>-</u> | <u>423,237</u> |
| Restricted Cash: | | | | | | |
| NMFA/NMSTO | Trust | Debt Service | 2,320 | - | - | 2,320 |
| Total restricted cash | | | <u>2,320</u> | <u>-</u> | <u>-</u> | <u>2,320</u> |
| Total cash on deposit | | | <u>\$ 518,696</u> | <u>\$ (93,139)</u> | <u>\$ -</u> | <u>\$ 425,557</u> |
| Agency | | | | | | |
| Carlsbad National | Checking | Agency | \$ 22,960 | \$ - | \$ - | \$ 22,960 |
| Total Agency | | | <u>\$ 22,960</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 22,960</u> |

**STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

All deposits at various banks are less than the FDIC insurance with the exception of the deposits at Western Commerce Bank as of June 30, 2010. Deposits at Western Commerce Bank amounted to \$254,212. The amount in excess of the \$250,000 insurance provided by the FDIC was \$4,212. The following Bonds are pledged to the District and held by the Federal Home Loan Bank of Dallas:

| Description | CUSIP | Custodian | Maturity | Par | Market Value |
|-------------------------|-------|-------------|-----------|---------------------|--------------|
| GNMA #8833 | LCSWA | FHLB Dallas | 3/20/2026 | \$ 106,087 | \$ 109,355 |
| | | | | | - |
| Total FMV of Collateral | | | | | 109,355 |
| Total Deposits | | | | \$ 254,212 | |
| Less: FDIC Insurance | | | | (250,000) | |
| Uninsured Deposits | | | | 4,212 | |
| Required Pledge | | | | 50% | 2,106 |
| Pledge Over (Short) | | | | Pledge Over (Short) | \$ 107,249 |

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The Authority does not have deposit policy for custodial credit risk. As a result of the excess collateral held in the District's name it has no credit risk at June 30, 2010.

B. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|--------------------|-------------|-----------|-----------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 20,000 | \$ - | \$ - | \$ 20,000 |
| Construction in progress | - | - | - | - |
| Total capital assets not being depreciated | 20,000 | - | - | 20,000 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 425,024 | - | - | 425,024 |
| Vehicles | 40,680 | - | - | 40,680 |
| Equipment | 60,976 | - | - | 60,976 |
| Total capital assets being depreciated | 526,680 | - | - | 526,680 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 48,194 | 10,284 | - | 58,478 |
| Vehicles | 23,173 | 4,289 | - | 27,462 |
| Equipment | 50,690 | 3,075 | - | 53,765 |
| Total accumulated depreciation | 122,057 | 17,648 | - | 139,705 |
| Total capital assets being depreciated, net | 404,623 | (17,648) | - | 386,975 |
| Business-type activity capital assets, net | \$ 424,623 | \$ (17,648) | \$ - | \$ 406,975 |

Depreciation expense is charged to administration expense in the Statement of Activities.

**STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

C. Long-Term Debt

Long-term obligations of the District are as follows:

| | Balance 6/30/09 | Additions | (Reductions) | Balance 6/30/10 | Due Within One Year |
|--|--------------------|-------------|-------------------|--------------------|---------------------------|
| 4.0% Note Payable, payable to New Mexico Finance Authority in monthly installments of \$732. Purpose was to Finance District Office Building | 54,832 | - | (7,155) | 47,677 | 7,370 |
| 3.5% Note Payable, payable to the New Mexico Interstate Stream Commission Unsecured, annual principal and interest matures June, 2010 | 2,470 | - | (2,470) | - | - |
| Total Long-Term Obligations | \$ 57,302 | \$ - | \$ (9,625) | \$ 47,677 | \$ 7,370 |

The annual requirements to amortize principal on all debt outstanding as of June 30, 2010, is as follows:

| Fiscal Year | Principal | Interest | Total |
|----------------|------------------|-----------------|------------------|
| 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 | 8,250 | 425 | 8,675 |
| 2016 | 8,592 | 273 | 8,865 |
| | \$ 47,677 | \$ 4,702 | \$ 52,379 |

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.

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, 2010, 2009, and 2008 are \$5,072, \$5,113 and \$6,509 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, 2010**

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, 2010. 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 \$5,337. The interest rate of 4% is the same applied to loans made to non-related parties in prior fiscal years.

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 |

Supplemental Information

**STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2010**

| | Beginning Balance 6/30/2009 | Additions | Deletions | Ending Balance 6/30/2010 |
|-----------------------|-----------------------------------|------------|------------|--------------------------------|
| Assets | | | | |
| Cash | \$ 25,599 | \$ 224,196 | \$ 226,835 | \$ 22,960 |
| Total Assets | \$ 25,599 | \$ 224,196 | \$ 226,835 | \$ 22,960 |
| Liabilities | | | | |
| Accounts Payable | \$ 21,864 | \$ - | \$ 21,864 | \$ - |
| Due To Other Agencies | 3,735 | 224,196 | 204,971 | 22,960 |
| Total Liabilities | \$ 25,599 | \$ 224,196 | \$ 226,835 | \$ 22,960 |

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

STATE OF NEW MEXICO
 CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JUNE 30, 2010

| Name of Agency Program | Grant ID # | CFDA # | Total Awards Expended |
|---|----------------|--------|--------------------------|
| United States Department of Interior Noxious Weed Intregrated Management Project | L09AC15530 | 15.231 | \$ 383,361 |
| United States Department of Interior Restore New Mexico Program | GDA070006 | 15.231 | - 233,823 |
| United States Department of Interior Pecos River Saltcedar Management Demonstration Project | 06-FC-40-2537 | 15.517 | 43,584 |
| United States Department of Interior Bingaman Riparian Funds | 68-8C30-05-983 | 10.902 | <u>39,676</u> |
| Total | | | <u>\$ 700,444</u> |

Notes to the Schedule:

(1) Schedule is prepared on the midified accrual basis.

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

**Dan Austin CPA, PC
700 Mechem Drive Ste. 15
Ruidoso, NM 88345**

**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
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, 2010, and have issued our report thereon dated November 19, 2010. 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 the 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.

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.

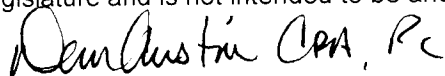
A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Board of Education, New Mexico Public Education Department, the State Auditor, the New Mexico Legislature and is not intended to be and should not be used by anyone other than these specified parties.



November 19, 2010

**Dan Austin CPA, PC
700 Mechem Drive Ste. 15
Ruidoso, NM 88345**

**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 Budget
Chairperson, Members of the Board of Supervisors
Carlsbad Soil & Water Conservation District
3219 S. Canal
Carlsbad, New Mexico

Compliance

We have audited Carlsbad Soil and Water Conservation District's compliance with the types of compliance requirements described in the *OMB A-133 Compliance Supplement* that could have a direct and material effect on each of the Carlsbad Soil and Water Conservation District's major federal programs for the year ended June 30, 2010. The Carlsbad Soil and Water Conservation 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 Carlsbad Soil and Water Conservation District's management. Our responsibility is to express an opinion on the Carlsbad Soil and Water Conservation 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. 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 Carlsbad Soil and Water Conservation District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Carlsbad Soil and Water Conservation District's compliance with those requirements.

In our opinion, the Carlsbad Soil and Water Conservation District, complied, in all material respects, with the 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, 2010.

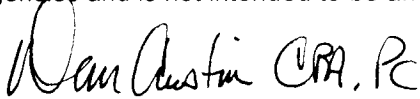
Internal Control Over Compliance

Management of the Carlsbad Soil and Water Conservation 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 Soil and Water Conservation District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Soil and Water Conservation District'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.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the administration, the Board of Supervisors, the Public Education Department, the Office of the State Auditor, the New Mexico State Legislature and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dan Austin CPA, PC". The signature is written in a cursive style with a large initial "D".

November 19, 2010

State of New Mexico
Carlsbad Soil and Water Conservation District
Schedule of Audit Findings, Recommendations, Responses and Other Disclosures
June 30, 2010

Financial Statements

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

Federal Awards

1. Internal control over major programs:
 - a. Material weakness identified? No
 - b. Significant deficiencies identified not considered to be a material weakness? No
2. Type of auditor's report issued on compliance for major programs. Unqualified
3. Any audit findings disclosed that that are that are required to be reported in accordance with section 510(a) of Circular A-133? No
4. Identification of major programs:

CFDA
Number
15.231

Federal Program
Fish, Wildlife and Plant Resource Management

5. Dollar threshold used to distinguish between type A and type B programs: \$300,000
6. Auditee was a low-risk auditee? No

Federal Award Findings – None

FINDINGS AND RECOMMENDATIONS – FINANCIAL AUDIT

RESOLUTION OF PRIOR YEAR FINDINGS

07-01 Financial Statement Preparation Resolved
09-01 Over Expended Budget – Resolved
09-02 Compliance with Federal Funds Period Availability – Resolved

State of New Mexico
Carlsbad Soil and Water Conservation District
Schedule of Audit Findings, Recommendations, Responses and Other Disclosures
June 30, 2010

CURRENT YEAR FINDINGS

10-1. Audit Report Submitted Late

Condition: The audit report was submitted to the New Mexico State Auditor's Office of November 29, 2010 prior to the December 1, 2010 due date. The State Auditor requested one correction to the report on December 7, 2010 and considers the report delivered late. The corrected report was sent to the State Auditor December 8, 2010.

Criteria: The New Mexico State Auditor requires public entities to submit their audit reports by December 1. If the reports are submitted late, it is considered to be an instance of noncompliance with Subsection A of 2.2.2.9 NMAC.

Cause: Over sight by the auditor.

Effect: Noncompliance with state law. In addition, users of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc., do not have timely audit reports and financial statements for their review. And, late audit reports could have an effect on state and federal funding.

Recommendation: Complete correct audit reports in a timely manner.

Response: The auditor will submit correct audit reports by the due date.

FINANCIAL STATEMENT PREPARATION

Although it would be preferred and desirable for the District to prepare its own GAAP-based financial statements, it is felt that the District's personnel have neither the time nor the expertise to prepare them. Therefore, the outside auditor has prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report, however, the responsibility for the content of the report remains with District management.

EXIT CONFERENCE

On November 19, 2010, an exit conference was held at the District's administrative offices. Present were Nathan Jurva, Vice Chairperson, Judy Bock, District Manager, Dan Austin, CPA, representing the audit firm. The District financial condition and report for the year ended June 30, 2010, was discussed as well as other financial reporting considerations.