

**STATE OF NEW MEXICO**  
**CARLSBAD SOIL AND WATER CONSERVATION DISTRICT**  
**FINANCIAL STATEMENTS**  
**Fiscal Year Ended June 30, 2011**  
**(With Independent Auditor's Report Thereon)**

**State of New Mexico  
 Carlsbad Soil and Water Conservation District  
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 June 30, 2011**

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**State of New Mexico  
Carlsbad Soil and Water Conservation District  
Official Roster  
June 30, 2011**

**Board of Supervisors**

**Position**

Ridley Garner

Chairperson

Nathan Jurva

Vice-Chairperson

James Walterschied

Secretary/Treasurer

Tyson Mahaffey

Supervisor

Jim Carr

Supervisor

George Wheeler

Supervisor

Henry Vasquez

Supervisor

**District Personnel**

Judy Bock

District Manager

Judith Ortego

Administrative Assistant

Nancy Painter

Clerk

## **Financial Section**

**Dan Austin CPA, PC  
700 Mechem Drive Ste 15  
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, 2011, 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.

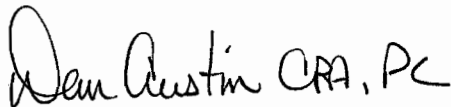
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2011, 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 1, 2011 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 1, 2011

**STATE OF NEW MEXICO**  
**CARLSBAD SOIL AND WATER CONSERVATION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2011**

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, 2011.

**Financial Highlights**

The assets of the Carlsbad SWCD exceeded its liabilities at the close of the most recent fiscal year by \$985,000 (net assets). Of this amount \$264,065 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and cooperators.

The District's total net assets increased by \$33,646. Total revenues were \$2,251,317 while expenditures totaled \$2,217,671.

As of close of the current fiscal year, the Carlsbad SWCD's governmental funds reported an ending balance of \$636,745, an increase of \$42,566 in comparison with the prior year. Of the ending balance \$370,400 is reserved, designated fund balance; \$2,327 is reserved for payments to the New Mexico Finance Authority against loan principal, \$40,307. \$368,173 is reserved for conservation grants as designated in written agreements. Approximately 42 percent of the ending total fund balance amount of \$636,745 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 \$235,643, or 11 percent of total general fund expenditures.

The Carlsbad SWCD's total debt decreased by \$16,732 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, 2011**

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 \$985,000 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, 2011**

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>2011</u>	<u>2010</u>
Current and other assets	\$ 636,745	\$ 603,598
Capital assets	<u>390,742</u>	<u>406,975</u>
<b>Total assets</b>	<u><b>1,027,487</b></u>	<u><b>1,010,573</b></u>
Long-term liabilities	32,716	40,307
Other liabilities	<u>9,771</u>	<u>18,912</u>
<b>Total liabilities</b>	<u><b>42,487</b></u>	<u><b>59,219</b></u>
Net assets:		
Invested in capital assets net of related debt	350,435	359,298
Restricted	370,500	133,201
Unrestricted	<u>264,065</u>	<u>458,855</u>
<b>Total net assets</b>	<u><b>\$ 985,000</b></u>	<u><b>\$ 951,354</b></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 (\$264,065) 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 \$16,914 and other liabilities decreased by \$9,141. 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, 2011.



**STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

Governmental activities. Governmental activities increased the Carlsbad SWCD's net assets by \$33,646. Key elements of this increase are as follows:

Carlsbad Soil and Water Conservation District  
Changes in Net Assets

	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>		
<b>Program revenues:</b>		
Federal operating grants	\$ 1,605,997	\$ 874,740
State and other operating grants	350,948	250,319
Charges for services	17,640	19,895
<b>General revenues:</b>		
State appropriation	9,436	55,814
Property taxes	264,492	256,693
Interest	<u>2,804</u>	<u>3,597</u>
<b>Total Revenues</b>	<u>2,251,317</u>	<u>1,461,058</u>
<b>Program Expenses:</b>		
Administration	219,061	179,198
Conservation programs	1,982,377	1,006,260
Depreciation	<u>16,233</u>	<u>17,648</u>
<b>Total Program Expense</b>	<u>2,217,671</u>	<u>1,203,106</u>
Change in Net Assets	33,646	257,952
Beginning Net Assets	<u>951,354</u>	<u>693,402</u>
Ending Net Assets	<u>\$ 985,000</u>	<u>\$ 951,354</u>

An increase in federal funding (\$731,257) is due to an increase funds received from the New Mexico Association of Conservations Districts designated for restoration, reclamation and noxious weed control projects. Increase in state funding and other grants of \$100,629 is mainly due to the District experiencing an increase in funding for one non-governmental grant.

Conservation program expenses increased by \$976,117; this increase is proportionate to the increase in total revenues \$790,259 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, 2011**

As of the end of the current fiscal year, the Carlsbad SWCD' governmental funds reported combined ending fund balances of \$636,745 a increase of \$42,566 in comparison with the prior year. Approximately 42 percent of the ending fund balance amount, \$266,245 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 increase 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 increase of funding for programs of the federal government. 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, 2011**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 226,170
Property Tax Receivable	18,998
Grants Receivable	368,173
Restricted Cash	2,327
Loans Receivable	21,077
Capital assets, Net	390,742
 Total assets	 1,027,487
 <b>Liabilities</b>	
Current Liabilities	
Accounts Payable	-
Current Long-Term Debt	7,591
Compensated Absence	2,180
Noncurrent liabilities:	
Long-Term Debt	32,716
 Total liabilities	 42,487
 <b>Net Assets</b>	
Invested in capital assets, net of related debt	350,435
Restricted:	
Debt Service	2,327
Conservation Grant Purposes	368,173
Unrestricted	264,065
 Total Net Assets	 \$ 985,000

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, 2011**

	Governmental Activites
<b>Program Expenses:</b>	
Administration	\$ 219,061
Depreciation	16,233
Conservation Programs	1,982,377
Total program expenses	2,217,671
<b>Program Revenues:</b>	
Charges for services	17,640
State operating grants and contracts	82,406
Federal operating grants and contracts	1,473,903
Other operating grants and contracts	400,636
Total program revenues	1,974,585
Net program (expense) revenue	(243,086)
<b>General Revenues:</b>	
State appropriation	9,436
Property taxes	264,492
Interest	2,804
Total general revenues	276,732
Change in net assets	33,646
Net assets at beginning of year	951,354
Net assets at end of year	\$ 985,000

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, 2011**

	General Fund	Special Revenue Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 216,645	\$ 9,525	\$ 226,170
Property Tax Receivable	18,998	-	18,998
Grants Receivable	368,173	-	368,173
Restricted Cash	2,327	-	2,327
Loans Receivable	-	21,077	21,077
<b>Total assets</b>	<b>606,143</b>	<b>30,602</b>	<b>636,745</b>
<b>Liabilities and Fund Balance</b>			
Liabilities:			
Accounts payable	-	-	-
Accrued Payroll	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balance:			
Restricted for Debt Service	2,327	-	2,327
Restricted for Conservation Grants	368,173	-	368,173
Unassigned	235,643	30,602	266,245
<b>Total fund balance</b>	<b>606,143</b>	<b>30,602</b>	<b>636,745</b>
<b>Total liabilities and fund balance</b>	<b>\$ 606,143</b>	<b>\$ 30,602</b>	<b>\$ 636,745</b>

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, 2011**

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 - Government Funds	\$ 636,745
Capital Assets not reported in the government funds, and are reported net of accumulated depreciation	390,742
Compensated absences not reported in the government funds	(2,180)
Debt principal not recorded in the government funds and reported in the Statement of net Assets	<u>(40,307)</u>
Net Assets - Statement of Net Assets	<u><u>\$ 985,000</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, 2011**

	General Fund	Special Revenue Fund	Total
<b>Revenues</b>			
State Appropriation	\$ 9,436	\$ -	\$ 9,436
Mill Levy	264,492		264,492
NMED RERI Grant	82,406	-	82,406
National Fish and Wildlife Foundation Grant	16,195		16,195
Bingaman Riparian Grant	73,301	-	73,301
Center for Excellence Grant	268,542	-	268,542
BLM-Noxious Weed Grant	36,500	-	36,500
Playa Lakes Joint Venture Grant	90,000	-	90,000
BLM-NMACD - Other	18,841	-	18,841
Bureau of Reclamation-Assistance Agreement	31,685	-	31,685
BLM-Assistance Agreements	317,950		317,950
BLM-NMACD - Grants	1,021,525	-	1,021,525
Miscellaneous Revenue	17,640	-	17,640
Restricted Interest	9	-	9
Interest Income	1,683	1,112	2,795
<b>Total revenues</b>	<b>2,250,205</b>	<b>1,112</b>	<b>2,251,317</b>
<b>Expenditures</b>			
<b>Current:</b>			
Bond and insurance	4,751	-	4,751
Debt Service	8,798	-	8,798
Building Maintenance	6,085	-	6,085
Community Projects	5,816	-	5,816
Audit	20,579	-	20,579
Community Projects	-	-	-
Dues and subscriptions	4,100	-	4,100
Eddy County Fair	150	-	150
Salaries and benefits	78,268	-	78,268
Information and education	17,353	-	17,353
Mailing expense	499	-	499
Meeting expense	2,190	-	2,190
Miscellaneous	-	77	77
Per Diem	2,029	-	2,029
Supplies	15,537	-	15,537
Utilities	5,324	-	5,324
Vegetation management	46,283	-	46,283
Vehicle operation and maintenance	1,335	-	1,335
Watershed Project Expense	1,982,377		1,982,377
ISC Loan Administration	-	7,200	7,200
<b>Total expenditures</b>	<b>2,201,474</b>	<b>7,277</b>	<b>2,208,751</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>48,731</b>	<b>(6,165)</b>	<b>42,566</b>
<b>Other Financing Sources (Uses)</b>			
Other Expense	-	-	-
<b>Net Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>48,731</b>	<b>(6,165)</b>	<b>42,566</b>
Fund balance beginning of year as reported	557,412	36,767	594,179
<b>Fund balance end of year</b>	<b>\$ 606,143</b>	<b>\$ 30,602</b>	<b>\$ 636,745</b>

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, 2011**

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	\$ 42,566
Change in compensated absences not recorded in the government funds	(57)
Depreciation expense	(16,233)
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>7,370</u>
Net Assets - Statement of Net Assets	<u>\$ 33,646</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, 2011

	General Fund				Special Revenue Fund			
	Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>								
State Appropriation	\$ 9,000	\$ 9,435	\$ 9,436	\$ 1	\$ -	\$ -	\$ -	\$ -
Mill Levy	220,000	264,852	264,852	-	-	-	-	-
NMED RERI Grant	180,000	82,406	82,406	-	-	-	-	-
National Fish and Wildlife Foundation Grant	-	16,195	16,195	-	-	-	-	-
Bingaman Riparian Grant	35,000	73,301	73,301	-	-	-	-	-
Center for Excellence Grant	-	268,542	268,542	-	-	-	-	-
BLM-Noxious Weed Grant	30,000	36,500	36,500	-	-	-	-	-
Playa Lakes Joint Venture Grant	90,000	90,000	90,000	-	-	-	-	-
BLM-NMACD -Other	50,000	18,841	18,841	-	-	-	-	-
Bureau of Reclamation-Assistance Agreement	25,000	31,685	31,685	-	-	-	-	-
BLM-Assistance Agreements	500,000	317,950	317,950	-	-	-	-	-
BLM/NMACD Grants	500,000	1,027,559	1,021,525	(6,034)	-	-	-	-
Miscellaneous Revenue	3,000	17,640	17,640	-	-	-	7	-
Restricted Interest	-	10	9	(1)	-	-	-	-
Loan Repayments	-	-	-	-	6,839	6,727	6,727	-
Interest Income	3,000	1,683	1,683	-	1,000	1,112	1,112	-
<b>Total revenues</b>	<b>1,645,000</b>	<b>2,256,599</b>	<b>2,250,565</b>	<b>(6,034)</b>	<b>7,839</b>	<b>7,839</b>	<b>7,839</b>	<b>-</b>
<b>Expenditures</b>								
<b>Current:</b>								
Bond and insurance	5,000	4,751	4,751	-	-	-	-	-
Debt Service	8,800	8,798	8,798	-	-	-	-	-
Building Maintenance	5,000	6,085	6,085	-	-	-	-	-
Community Projects	241,520	5,816	5,816	-	-	-	-	-
Audit	20,580	20,580	20,579	1	-	-	-	-
Dues and subscriptions	4,000	4,100	4,100	-	-	-	-	-
Eddy County Fair	500	150	150	-	-	-	-	-
Salaries and benefits	127,970	78,268	78,268	-	-	-	-	-
Information and education	15,000	17,353	17,353	-	-	-	-	-
Mailing expense	900	499	499	-	-	-	-	-
Meeting expense	3,000	2,190	2,190	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	78	(78)
Per Diem	5,000	2,029	2,029	-	-	-	-	-
Supplies	12,000	15,537	15,537	-	-	-	-	-
Utilities	5,900	5,324	5,324	-	(359)	-	-	-
Vegetation management	45,000	46,283	46,283	-	-	-	-	-
Vehicle operation and maintenance	1,000	1,335	1,335	-	-	-	-	-
Watershed Project Expense	1,146,250	2,160,407	1,982,377	178,030	-	-	-	-
ISC Loan administration	-	-	-	-	7,839	7,839	7,200	639
<b>Total expenditures</b>	<b>1,647,420</b>	<b>2,379,505</b>	<b>2,201,474</b>	<b>\$ 178,031</b>	<b>7,480</b>	<b>7,839</b>	<b>7,278</b>	<b>\$ 561</b>
Excess (Deficiency) of Revenues over Expenditures	(2,420)	(122,906)	\$ 49,091		359	-	\$ 561	
Cash Balance, Beginning	416,593	416,593			8,964	8,964		
Cash Balance, Ending	\$ 414,173	\$ 293,687			\$ 9,323	\$ 8,964		

Reconciliation to GAAP Basis

Change in Accounts Payable	-
Change in Taxes Receivable	(359)
<b>Excess (Deficiency) Revenues over Expense</b>	<b>\$ 48,732</b>

Reconciliation to GAAP Basis

Change in Accounts Payable	-
Change in Accounts Receivable	(6,727)
<b>Excess (Deficiency) Revenues over Expense</b>	<b>\$ (6,166)</b>

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, 2011**

	<u>Agency Fund</u>
<b>Assets</b>	
Cash	\$ <u>86,735</u>
	<u>\$ 86,735</u>
<b>Liabilities</b>	
Accounts Payable	\$ -
Due To Other Agencies	<u>86,735</u>
Total Liabilities	<u>\$ 86,735</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, 2011**

**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, 2011**

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, 2011**

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 Equity**

The difference between the District's assets and liabilities is its net assets. The District's net assets consist of the following components – **net assets invested in capital assets** net of related debt, which is the cost of capital assets, net of accumulated depreciation, **committed fund balance** represents amounts that are useable only for specified purposes by formal action of the government's highest level of authority nets assets, **assigned fund balance** represents amounts that are intended to be used for a specific purpose but are neither restricted or committed, **restricted fund balance or 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 and **unassigned fund balance** is the residual classification for the general fund and represents the amounts that have not been assigned to other funds and **unrestricted net assets** in the government wide financial statements is the unclassified net assets. As reported, the District's net assets as of June 30, 2011 consist of \$350,435 invested in capital assets, \$2,237 is restricted for NMFA loan repayment, \$368,173 is restricted for conservation grants and the remaining net assets of \$264,065 are unrestricted.

In fund financial statements, governmental funds report restrictions 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, \$2,327 is restricted for the NMFA loan, \$368,173 is restricted for conservation grants and the rest of the fund balance \$266,245 is unrestricted. 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, 2011**

**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, 2011**

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, 2011, the District had a carrying amount of deposits as authorized by the New Mexico Constitution of \$228,497 of which \$2,327 is held by and restricted to the repayment of New Mexico Finance Authority debt. The District also held \$86,735 in trust funds relating a Joint venture agreement. The balances on deposit were \$871,123 and \$88,512 respectively. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$644,681 and deposits of \$2,055 and \$1,777 of outstanding checks relating to Agency accounts.

The total bank balances consisted of the following:

Depository	Account Type	Fund Type	Balance	Reconciling Items		Balance Per Financial Statements
			Per Depository	Outstanding Checks	Deposits	
<b>Unrestricted Cash:</b>						
Carlsbad National Bank	Checking	Investment	\$ 74,769	\$ (1,000)	\$ 37	73,806
Eddy Federal Savings	Checking	Investment	80,019	-	66	80,085
Pioneer Bank	Checking	Investment	99,765	(1,000)	28	98,793
Western Commerce	Checking	Operating	599,435	(635,474)	-	(36,039)
Eddy Federal Savings	Checking	Operating	14,808	(7,207)	1,924	9,525
Total unrestricted cash			<u>868,796</u>	<u>(644,681)</u>	<u>2,055</u>	<u>226,170</u>
<b>Restricted Cash:</b>						
NMFA/NMSTO	Trust	Debt Service	<u>2,327</u>	-	-	<u>2,327</u>
Total restricted cash			<u>2,327</u>	-	-	<u>2,327</u>
Total cash on deposit			<u>\$ 871,123</u>	<u>\$ (644,681)</u>	<u>\$ 2,055</u>	<u>\$ 228,497</u>
<b>Agency</b>						
Carlsbad National	Checking	Agency	\$ 88,512	\$ (1,777)	\$ -	\$ 86,735
Total Agency			<u>\$ 88,512</u>	<u>\$ (1,777)</u>	<u>\$ -</u>	<u>\$ 86,735</u>



**STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

All deposits at various banks are less than the FDIC insurance limit (\$250,000) on all interest bearing accounts as of June 30, 2011. The Dodd Frank Act of 2010 required the FDIC to insure all non-interest bearing accounts until December 31, 2012. The account at Western Commerce Bank as of June 30, 2011 amounted to \$599,435(interest bearing). The following Bonds are pledged to the District by Western Commerce Bank and held by the Federal Home Loan Bank of Dallas:

Deposit requirements per NM Statutes:

Description	CUSIP	Custodian	Maturity	Par	Market Value
GNMA #8833	33033325	FHLB Dallas	3/20/2026	\$ 96,442	\$ 100,006
					-
		Total FMV of Collateral			100,006
		Total Deposits		\$ 599,435	
		Less: FDIC Insurance		(250,000)	
		Uninsured Deposits		349,435	
		Required Pledge		50%	174,718
		Pledge Over (Short)		Pledge Over (Short)	\$ (74,712)

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 shortfall the District had \$249,429 in custodial credit risk June 30, 2011.

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	425,024	-	-	425,024
Vehicles	40,680	-	-	40,680
Equipment	60,976	-	34,531	26,445
Total capital assets being depreciated	<u>526,680</u>	<u>-</u>	<u>34,531</u>	<u>492,149</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	58,478	10,284	-	68,762
Vehicles	27,462	4,289	-	31,751
Equipment	53,765	1,660	34,531	20,894
Total accumulated depreciation	<u>139,705</u>	<u>16,233</u>	<u>34,531</u>	<u>121,407</u>
Total capital assets being depreciated, net	<u>386,975</u>	<u>(16,233)</u>	<u>-</u>	<u>370,742</u>
Business-type activity capital assets, net	<u>\$ 406,975</u>	<u>\$ (16,233)</u>	<u>\$ -</u>	<u>\$ 390,742</u>

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, 2011**

**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	47,677	-	(7,369)	40,308	7,591
<b>Total Long-Term Obligations</b>	<b>\$ 47,677</b>	<b>\$ -</b>	<b>\$ (7,369)</b>	<b>\$ 40,308</b>	<b>\$ 7,591</b>

The annual requirements to amortize principal on all debt outstanding as of June 30, 2011, is as follows:

Fiscal Year	Principal	Interest	Total
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
	<b>\$ 40,307</b>	<b>\$ 3,391</b>	<b>\$ 43,698</b>

**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, 2011, 2010, and 2009 are \$5,228, \$5,072 and \$5,113 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, 2011**

**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, 2011. 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 \$3,627. 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, 2011**

	Beginning Balance 6/30/2010	Additions	Deletions	Ending Balance 6/30/2011
<b>Assets</b>				
Cash	\$ 22,960	\$ 241,836	\$ 178,061	\$ 86,735
Total Assets	\$ 22,960	\$ 241,836	\$ 178,061	\$ 86,735
<b>Liabilities</b>				
Accounts Payable Due To Other Agencies	\$ - 22,960	\$ - 241,836	\$ - 178,061	\$ - 86,735
Total Liabilities	\$ 22,960	\$ 241,836	\$ 178,061	\$ 86,735

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, 2011**

Name of Agency Program	Grant ID #	CFDA #	Total Awards Expended
<b>United States Department of Interior</b>			
Bureau of Land Management: Noxious Weed Integrated Management Project	L09AC15530	15.231	\$ 347,411
Restore New Mexico Program	GDA070006	15.231	1,021,525
Bureau of Reclamation: Pecos River Salt Cedar Management Demonstration Project	06-FC-40-2537	15.517	31,666
<b>United States Department of Agriculture</b>			
Bingaman Riparian Funds	68-8C30-05-983	10.902	<u>73,301</u>
Total			<u>\$ 1,473,903</u>

Notes to the Schedule:

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

The notes to the financial statements are an integral 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, 2011, and have issued our report thereon dated November 1, 2011. 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.

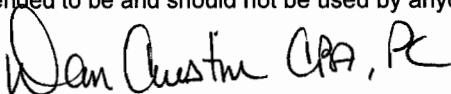
Compliance and Other Matters

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*.

We noted certain matters that are required to be reported under *Government Auditing Standards* January 2007 Revision paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978 which are described in the accompanying schedule of findings and responses as finding 11-A.

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, the State Auditor, the New Mexico Legislature, and various agencies if the government of the United States of America and is not intended to be and should not be used by anyone other than these specified parties.



November 1, 2011

**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, 2011. 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, 2011.

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.

*Dean Austin CFA, PC*

November 1, 2011

**State of New Mexico  
Carlsbad Soil and Water Conservation District  
Schedule of Audit Findings, Recommendations, Responses and Other Disclosures  
June 30, 2011**

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**

10-01 Late Audit Report - Resolved

**State of New Mexico**  
**Carlsbad Soil and Water Conservation District**  
**Schedule of Audit Findings, Recommendations, Responses and Other Disclosures**  
**June 30, 2011**

**CURRENT YEAR FINDINGS**

**11-A. Deposit Security**

**Condition:** The District had a large deposit at year end from grant proceeds which resulted in one bank having uninsured and uncollateralized deposits resulting in excess deposits of \$74,712.

**Criteria:** 6-10-7 NMSA 1978 requires all deposits in excess of FDIC insurance be collateralized with acceptable collateral in the amount of 50% of uninsured deposits.

**Cause:** The June 30, 2010 audit report was not contracted until after the due date resulting in late completion.

**Effect:** Deposits uninsured in the amount of \$74,712.

**Recommendation:** The district should develop procedures to monitor cash balances and pledging requirements to insure compliance.

**Response:** The District will develop procedures to insure compliance.

**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 23, 2011, an exit conference was held at the District's administrative offices. Present were Jim Carr, Trustee, Judy Bock, District Manager, Dan Austin, CPA, representing the audit firm. The District financial condition and report for the year ended June 30, 2011, was discussed as well as other financial reporting considerations.