

**STATE OF NEW MEXICO**  
**CARLSBAD SOIL AND WATER CONSERVATION DISTRICT**  
**FINANCIAL STATEMENTS**  
**Fiscal Year Ended June 30, 2012**  
**(With Independent Auditor's Report Thereon)**

**State of New Mexico  
 Carlsbad Soil and Water Conservation District  
 Table of Contents  
 June 30, 2012**

	<u>Page</u>
<b>Introductory Section</b>	
Table of Contents	1
Official Roster	2
<b>Financial Section</b>	3
Independent Auditor's Report	4
Management's Discussion and Analyssi	5
<b>Basic Financial Statements:</b>	10
Statement of Net Assets	11
Statement of Activities	12
<b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet to Statement of Net assets	14
Statement of Revenues, Exxpnditures and Changes in Fund Balance-Governmental Funds	15
Reconciliation of the Statement of Activities to the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	16
Statement of Revenues and Expenditures-Budget and Actual(Non-GAAP Budgetary Basis) General and Special Revenue Funds	17
Statement of Fudiciary Assets and Liabilities	18
Notes to the Financial Statements	19
<b>Supplemental Information:</b>	27
Schedule of Changes in Assets and Liabilities-Agency Fund	28
Schedule of Expenditures of Federal Awards	29
<b>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</b>	30
<b>Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in accordance with OMB Circular A-133</b>	31
<b>Schedule of Findings, Recommendations, Responses and Other Disclosures</b>	33

**State of New Mexico  
Carlsbad Soil and Water Conservation District  
Official Roster  
June 30, 2012**

<b>Board of Supervisors</b>	<b>Position</b>
Nathan Jurva	Chairperson
Jim Carr	Vice-Chairperson
James Walterscheid	Secretary/Treasurer
Tyson Mahaffey	Supervisor
Ridley Garner	Supervisor
Henry Vasquez	Supervisor
George Wheeler	Supervisor
<b>District Personnel</b>	
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**

**Independent Auditor's Report**

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

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, 2012, 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.

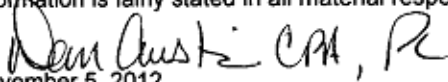
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2012, 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 5, 2012 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.

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 5-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as "supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
November 5, 2012

**STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

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, 2012.

**Financial Highlights**

The assets of the Carlsbad SWCD exceeded its liabilities at the close of the most recent fiscal year by \$971,340 (net assets). Of this amount \$558,937 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and cooperators.

The District's total assets decreased by \$21,081 and liabilities decreased by \$7,421. The decrease in total assets is a result of an operating loss of 13,660 resulting in a decrease in cash on hand by the District. The decrease in liabilities is the result of payments related to District's long-term debt due at June 30, 2012.

As of close of the current fiscal year, the Carlsbad SWCD's governmental funds reported an ending fund balance of \$628,528, an decrease of \$8,217 in comparison with the prior year. Of the ending fund balance, \$64,915 is reserved for conservation programs; \$2,320 is reserved for payments to the New Mexico Finance Authority against outstanding loan principal, \$32,716. Approximately 89 percent of the ending total fund balance amount of \$628,528, 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 \$561,287, or 28 percent of total general fund expenditures.

The Carlsbad SWCD's total debt decreased by \$7,421 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, 2012**

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 \$971,340 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, 2012**

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>2012</u>	<u>2011</u>
Current and other assets	\$ 628,528	\$ 636,745
Capital assets	<u>377,878</u>	<u>390,742</u>
Total assets	<u>1,006,406</u>	<u>1,027,487</u>
Long-term liabilities	24,897	32,716
Other liabilities	<u>10,169</u>	<u>9,771</u>
Total liabilities	<u>35,066</u>	<u>42,487</u>
Net assets:		
Invested in capital assets net of related debt	345,162	350,435
Restricted	67,241	370,500
Unrestricted	<u>558,937</u>	<u>264,065</u>
Total net assets	<u>\$ 971,340</u>	<u>\$ 985,000</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 of \$558,937, 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 \$21,081 and other liabilities increased by \$398. The decrease in net assets is a result of operational loss of \$13,660 experienced by the District. The decrease in liabilities is the result of payments related to District's long-term debt due at June 30, 2012.



**STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

Carlsbad Soil and Water Conservation District  
Changes in Net Assets

	<u>2012</u>	<u>2011</u>
<b>Revenues:</b>		
<b>Program revenues:</b>		
Federal operating grants	\$ 1,019,084	\$ 1,605,997
State and other operating grants	520,321	350,948
Charges for services	36,604	17,640
<b>General revenues:</b>		
State appropriation	8,825	9,436
Property taxes	286,335	264,492
Interest	<u>2,012</u>	<u>2,804</u>
<b>Total Revenues</b>	<b>1,873,181</b>	<b>2,251,317</b>
<b>Program Expenses:</b>		
Administration	195,197	219,061
Conservation programs	1,678,780	1,982,377
Depreciation	<u>12,864</u>	<u>16,233</u>
<b>Total Program Expense</b>	<b>1,886,841</b>	<b>2,217,671</b>
Change in Net Assets	(13,660)	33,646
Beginning Net Assets	<u>985,000</u>	<u>951,354</u>
Ending Net Assets	<u><b>\$ 971,340</b></u>	<u><b>\$ 985,000</b></u>

Decrease in federal funding (\$586,913) is due to a decrease funds received from the New Mexico Association of Conservation Districts designated for restoration, reclamation and noxious weed control projects. Increase in state and other funding \$169,378 is mainly due to the District having an increase in funding from non-government sources .

Conservation program expenses decreased by \$303,667; this decrease is proportionate to the decrease in total revenues 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, 2012**

As of the end of the current fiscal year, the Carlsbad SWCD' governmental funds reported combined ending fund balances of \$628,528, an decrease of \$8,217 in comparison with the prior year. Approximately 89 percent of the ending fund balance 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 had no loans to fund 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 2013.

**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, 2012**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 521,969
Property Tax Receivable	25,237
Grants Receivable	64,915
Restricted Cash	2,326
Loans Receivable	14,081
Capital assets, Net	377,878
 Total assets	 1,006,406
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable	-
Current Long-Term Debt	7,819
Compensated Absence	2,350
Noncurrent liabilities:	
Long-Term Debt	24,897
 Total liabilities	 35,066
<b>Net Assets</b>	
Invested in capital assets, net of related debt	345,162
Restricted:	
Debt Service	2,326
Conservation Grant Purposes	64,915
Unrestricted	558,937
 Total Net Assets	 \$ 971,340

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, 2012**

	Governmental Activites
<b>Program Expenses:</b>	
Administration	\$ 195,197
Depreciation	12,864
Conservation Programs	1,678,780
Total program expenses	1,886,841
<b>Program Revenues:</b>	
Charges for services	36,604
State operating grants and contracts	183,859
Federal operating grants and contracts	1,019,084
Other operating grants and contracts	336,462
Total program revenues	1,576,009
Net program (expense) revenue	(310,832)
<b>General Revenues:</b>	
State appropriation	8,825
Property taxes	286,335
Interest	2,012
Total general revenues	297,172
Change in net assets	(13,660)
Net assets at beginning of year	985,000
Net assets at end of year	\$ 971,340

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, 2012**

	General Fund	Special Revenue Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 512,483	\$ 9,486	\$ 521,969
Property Tax Receivable	25,237	-	25,237
Grants Receivable	64,915	-	64,915
Restricted Cash	2,326	-	2,326
Loans Receivable	-	14,081	14,081
<b>Total assets</b>	<b>\$ 604,961</b>	<b>\$ 23,567</b>	<b>\$ 628,528</b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued Payroll	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance:</b>			
Reserved for Debt Service	2,326	-	2,326
Reserved for Conservation Grants	64,915	-	64,915
Unassigned	537,720	23,567	561,287
<b>Total fund balance</b>	<b>604,961</b>	<b>23,567</b>	<b>628,528</b>
<b>Total liabilities and fund balance</b>	<b>\$ 604,961</b>	<b>\$ 23,567</b>	<b>\$ 628,528</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, 2012**

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	\$ 628,528
Capital Assets not reported in the government funds, and are reported net of accumulated depreciation	377,878
Compensated absences not reported in the government funds	(2,350)
Debt principal not recorded in the government funds and reported in the Statement of net Assets	<u>(32,716)</u>
Net Assets - Statement of Net Assets	<u>\$ 971,340</u>

The notes to the financial payments are an integral 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, 2012**

	General Fund	Special Revenue Fund	Total
<b>Revenues</b>			
State Appropriation	\$ 8,825	\$ -	\$ 8,825
Mill Levy	286,335	-	286,335
NMSWCC Grant	2,621	-	2,621
ENMRD Grant	65,658	-	65,658
Center for Excellence Grant	232,458	-	232,458
National Fish and Wildlife Foundation Grant	18,804	-	18,804
State and Local-Noxious Weed Grant	115,580	-	115,580
Playa Lakes Joint Venture Grant	85,200	-	85,200
BLM-NMACD	568,645	-	568,645
Bureau of Reclamation-Assistance Agreement	67,736	-	67,736
BLM-Assistance Agreements	382,703	-	382,703
New Mexico Department of Agriculture	-	-	-
Miscellaneous Revenue	36,604	-	36,604
Interest Income	1,169	843	2,012
<b>Total revenues</b>	<b>1,872,338</b>	<b>843</b>	<b>1,873,181</b>
<b>Expenditures</b>			
<b>Current:</b>			
Bond and insurance	4,929	-	4,929
Debt Service	8,798	-	8,798
Building Maintenance	5,963	-	5,963
Community Projects	4,392	-	4,392
Contractual Services	20,579	-	20,579
Dues and subscriptions	3,770	-	3,770
Salaries and benefits	74,182	-	74,182
Information and education	19,281	-	19,281
Mailing expense	674	-	674
Meeting expense	2,819	-	2,819
Miscellaneous	-	78	78
Per Diem	2,979	-	2,979
Supplies	10,275	-	10,275
Utilities	5,172	-	5,172
Vegetation management	29,269	-	29,269
Vehicle operation and maintenance	1,658	-	1,658
Watershed Project Expense-State & Local	654,325	-	654,325
Watershed Project Expense-Federal	1,024,455	-	1,024,455
ISC Loan Administration	-	7,800	7,800
<b>Total expenditures</b>	<b>1,873,520</b>	<b>7,878</b>	<b>1,881,398</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,182)</b>	<b>(7,035)</b>	<b>(8,217)</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>(1,182)</b>	<b>(7,035)</b>	<b>(8,217)</b>
<b>Fund balance beginning of year as reported</b>	<b>606,143</b>	<b>30,602</b>	<b>636,745</b>
<b>Fund balance end of year</b>	<b>\$ 604,961</b>	<b>\$ 23,567</b>	<b>\$ 628,528</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, 2012**

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	\$ (8,217)
Change in compensated absences not recorded in the government funds	(170)
Depreciation expense	(12,864)
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>7,591</u>
Net Assets - Statement of Net Assets	<u>\$ (13,660)</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 REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND AND SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	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	\$ 8,825	\$ 8,825	\$ -	\$ -	\$ -	\$ -	\$ -
Mill Levy	240,000	280,096	280,096	-	-	-	-	-
NMSWCC Grant	-	2,621	2,621	-	-	-	-	-
ENMRD Grant	-	65,658	65,658	-	-	-	-	-
Center For Excellence Grant	-	232,458	232,458	-	-	-	-	-
National Fish and Wildlife Foundation Grant	-	18,804	18,804	-	-	-	-	-
State and Local-Noxious Weed Grant	-	115,580	115,580	-	-	-	-	-
Playa Lakes Joint Venture Grant	-	85,200	85,200	-	-	-	-	-
BLM-NMADC	600,000	568,645	568,645	-	-	-	-	-
Bureau of Reclamation-Assistance Agreement	100,000	67,735	67,736	1	-	-	-	-
BLM-Assistance Agreements	570,000	382,703	382,703	-	-	-	-	-
Miscellaneous Revenue	8,000	36,603	36,604	1	-	-	-	-
Loan Repayments	-	-	-	-	6,989	6,996	6,996	-
Interest Income	3,010	1,169	1,169	-	850	843	843	-
<b>Total revenues</b>	<b>1,530,010</b>	<b>1,866,097</b>	<b>1,866,099</b>	<b>2</b>	<b>7,839</b>	<b>7,839</b>	<b>7,839</b>	<b>-</b>
<b>Expenditures</b>								
Current:								
Bond and insurance	5,000	4,929	4,929	-	-	-	-	-
Debt Service	8,800	8,798	8,798	-	-	-	-	-
Building Maintenance	5,500	5,963	5,963	-	-	-	-	-
Community Projects	-	4,392	4,392	-	-	-	-	-
Contractual Services	20,580	20,579	20,579	-	-	-	-	-
Dues and subscriptions	4,000	3,770	3,770	-	-	-	-	-
Salaries and benefits	131,050	74,182	74,182	-	-	-	-	-
Information and education	15,500	19,281	19,281	-	-	-	-	-
Mailing expense	600	674	674	-	-	-	-	-
Meeting expense	3,000	2,819	2,819	-	-	-	-	-
Miscellaneous	-	-	-	-	100	78	78	-
Per Diem	4,000	2,979	2,979	-	-	-	-	-
Supplies	10,000	10,275	10,275	-	-	-	-	-
Utilities	5,000	5,172	5,172	-	-	-	-	-
Vegetation management	45,000	29,269	29,269	-	-	-	-	-
Vehicle operation and maintenance	1,000	1,658	1,658	-	-	-	-	-
Watershed Project Expense-State and Local	373,000	654,325	654,325	-	-	-	-	-
Watershed Project Expense-Federal	898,000	1,024,455	1,024,455	-	-	-	-	-
ISC Loan payments	-	-	-	-	-	-	-	-
ISC Loan administration	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,530,030</b>	<b>1,873,520</b>	<b>1,873,520</b>	<b>\$ -</b>	<b>7,739</b>	<b>7,800</b>	<b>7,800</b>	<b>-</b>
Excess (Deficiency) of Revenues over Expenditures	(20)	(7,423)	\$ (7,421)		-	(39)	\$ (39)	
Cash Balance, Beginning	218,972	218,972			9,525	9,525		
Cash Balance, Ending	\$ 218,952	\$ 211,549			\$ 9,525	\$ 9,486		

Reconciliation to GAAP Basis	
Change in Accounts Payable	-
Change in Taxes Receivable	6,239
<b>Excess (Deficiency) Revenues over Expense</b>	<b>\$ (1,182)</b>

Reconciliation to GAAP Basis	
Change in Accounts Payable	-
Change in Accounts Receivable	(6,996)
<b>Excess (Deficiency) Revenues over Expense</b>	<b>\$ (7,035)</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, 2012**

	<u>Agency Fund</u>
<b>Assets</b>	
Cash	\$ <u>4,038</u>
	<u>\$ 4,038</u>
<b>Liabilities</b>	
Accounts Payable	\$ -
Due To Other Agencies	<u>4,038</u>
Total Liabilities	<u>\$ 4,038</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, 2012**

**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, 2012**

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 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, 2012**

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, **committed fund balance** represents amounts that are useable only for specified purposes by formal action of the government's highest level of authority. **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**, 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 and **unassigned fund balance or net assets** is the residual classification for the general fund and represents the amounts that have not been assigned to other funds and **restricted net assets** in the government wide financial statements are unclassified net assets. As reported, the District's net assets as of June 30, 2012 consist of \$345,162 invested in capital assets net of related debt, \$2,326 is restricted for NMFA loan repayment, \$64,915 is reserved for conservation grants and the remaining net assets of \$ 558,937 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, \$2,326 is reserved for the NMFA loan, \$64,915 is reserved for conservation grants and the rest of the fund balance \$537,720 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, 2012**

**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, 2012**

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, 2012, the District had a carrying amount of deposits as authorized by the New Mexico Constitution of \$528,332, of which \$2,325 is held by and restricted to the repayment of New Mexico Finance Authority debt. The balances on deposit were \$580,229. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$54,222.

The total bank balances consisted of the following:

Depository	Account Type	Fund Type	Balance Per Depository	Reconciling Items		Balance Per Financial Statements
				Outstanding Checks	Deposits	
<b>Unrestricted Cash:</b>						
Carlsbad National Bank	Checking	Investment	\$ 68,918	\$ -	\$ -	\$ 68,918
Eddy Federal Savings	Checking	Investment	80,808	-	-	80,808
Pioneer Bank	Checking	Investment	84,005	-	-	84,005
Western Commerce	Checking	Operating	302,573	(23,821)	-	278,752
Eddy Federal Savings	Checking	Operating	17,286	(7,800)	-	9,486
Total unrestricted cash			<u>553,590</u>	<u>(31,621)</u>	<u>-</u>	<u>521,969</u>
<b>Restricted Cash:</b>						
NMFA/NMSTO	Trust	Debt Service	2,326	-	-	2,326
Total restricted cash			<u>2,326</u>	<u>-</u>	<u>-</u>	<u>2,326</u>
Total cash on deposit			<u>\$ 555,916</u>	<u>\$ (31,621)</u>	<u>\$ -</u>	<u>\$ 524,295</u>
<b>Agency</b>						
Carlsbad National	Checking	Agency	\$ 26,639	\$ (22,601)	\$ -	\$ 4,038
Total Agency			<u>\$ 26,639</u>	<u>\$ (22,601)</u>	<u>\$ -</u>	<u>\$ 4,038</u>



**STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

For the period from December 31, 2010 through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) provides separate and unlimited deposit insurance coverage for accounts that meet the definition of a 'noninterest-bearing transaction account.' This unlimited coverage for such accounts is separate from the \$250,000 coverage provided for other types of accounts. All deposits at various depositories was less than the FDIC insurance at June 30, 2012. 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	306604123	FHLB Dallas	3/20/2026	\$ 90,905	\$ 94,402
GNMA #080363	308504125	FHLB Dallas	1/20/2030	\$ 22,517	23,383
Total FMV of Collateral					117,785
Total Deposits				\$ 302,573	
Less: FDIC Insurance				(302,573)	
Uninsured Deposits				-	
Required Pledge				50%	-
Pledge Over (Short)				Pledge Over (Short)	\$ 117,785

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, 2012.

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2012, 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	20,000	-	-	20,000
<b>Capital assets being depreciated:</b>				
Buildings and improvements	425,024	-	-	425,024
Vehicles	40,680	-	-	40,680
Equipment	26,445	-	-	26,445
Total capital assets being depreciated	492,149	-	-	492,149
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	68,762	8,200	-	76,962
Vehicles	31,751	3,217	-	34,968
Equipment	20,894	1,447	-	22,341
Total accumulated depreciation	121,407	12,864	-	134,271
Total capital assets being depreciated, net	370,742	(12,864)	-	357,878
Business-type activity capital assets, net	\$ 390,742	\$ (12,864)	\$ -	\$ 377,878

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, 2012**

**C. Long-Term Debt**

Long-term obligations of the District are as follows:

	Balance 6/30/11	Additions	(Reductions)	Balance 6/30/12	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	40,307	-	(7,591)	32,716	7,819
	-	-	-	-	-
<b>Total Long-Term Obligations</b>	<b>\$ 40,307</b>	<b>\$ -</b>	<b>\$ (7,591)</b>	<b>\$ 32,716</b>	<b>\$ 7,819</b>

The annual requirements to amortize principal on all debt outstanding as of June 30, 2012, is as follows:

Fiscal Year	Principal	Interest	Total
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>\$ 32,716</b>	<b>\$ 2,283</b>	<b>\$ 34,999</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, 2012, 2011, and 2010 are \$5,382, \$5,228 and \$5,072 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, 2012**

**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, 2012. 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 \$1,489. 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:	\$5,599,809
Amount expended to date:	\$5,595,772
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, 2012

	Beginning Balance 6/30/2011	Additions	Deletions	Ending Balance 6/30/2012
<b>Assets</b>				
Cash	\$ 86,735	\$ 207,818	\$ 290,516	\$ 4,037
Total Assets	<u>\$ 86,735</u>	<u>\$ 207,818</u>	<u>\$ 290,516</u>	<u>\$ 4,037</u>
<b>Liabilities</b>				
Accounts Payable Due To Other Agencies	\$ -	\$ -	\$ -	\$ -
	<u>86,735</u>	<u>207,818</u>	<u>290,516</u>	<u>4,037</u>
Total Liabilities	<u>\$ 86,735</u>	<u>\$ 207,818</u>	<u>\$ 290,516</u>	<u>\$ 4,037</u>

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

STATE OF NEW MEXICO  
 CARLSBAD SOIL AND WATER CONSERVATION DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 JUNE 30, 2012

Name of Agency Program	Grant ID #	CFDA #	Total Awards Expended
<b>United States Department of Interior</b>			
<b>Bureau of Land Management:</b>			
Noxious Weed Integrated Management Project	L09AC15530	15.231	\$ 404,236
Passed through the New Mexico Association of Conservation Districts:			
Restore New Mexico Program	GDA070006	15.231	552,445
<b>Bureau of Reclamation:</b>			
Pecos River Saltcedar Management Demonstration Project	06-FC-40-2537	15.517	<u>67,774</u>
<b>Total</b>			<u>\$ 1,024,455</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 Conservation District (the District), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 5, 2012. We also have audited the budgetary comparison schedules for each of the Districts funds as of June 30, 2012 as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Carlsbad Soil and Water Conservation District is responsible for establishing and maintaining effective 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.

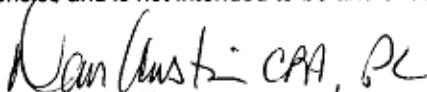
Compliance and Other Matters

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 findings as item 12-1.

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

This report is intended solely for the information and use of the administration, the Board of Supervisors, the New Mexico Department of Finance and Administration, 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.

  
November 5, 2012

**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 the compliance of Carlsbad Soil and Water Conservation District, with the types of compliance requirements described in the *OMB A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. 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, *Audits of State and Local governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2012.

Internal Control Over Compliance

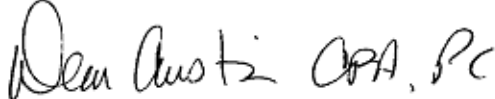
Management of the Carlsbad Soil and Water Conservation District, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered 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 New Mexico Department of Finance and Administration, 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 "Dean Austin CPA, PC". The signature is written in a cursive style with a large initial "D".

November 5, 2012

**State of New Mexico**  
**Carlsbad Soil and Water Conservation District**  
**Schedule of Audit Findings, Recommendations, Responses and Other Disclosures**  
**June 30, 2012**

Summary of Auditors Results:

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

11-A Deposit Security - Resolved

**State of New Mexico**  
**Carlsbad Soil and Water Conservation District**  
**Schedule of Audit Findings, Recommendations, Responses and Other Disclosures**  
**June 30, 2012**

**CURRENT YEAR FINDINGS**

**12-1. Audit Report Submitted Late**

Condition: The audit report was not submitted to the New Mexico State Auditor's office by the due date of December 3, 2012.

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: The Auditor delivered the report by the due date, However the Office of the State Auditor requested immaterial changes to the report considering it not complete by December 3, 2012 due date.

Effect: Noncompliance with state audit rule.

Recommendation: Complete the audit reports in a timely manner.

Response: The District will submit future 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 29, 2012, an exit conference was held at the District's administrative offices. Present were Nathan Jim Carr, Chairperson, Jim Carr, 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, 2012, was discussed as well as other financial reporting considerations.