

**STATE OF NEW MEXICO**  
**CARLSBAD SOIL AND WATER CONSERVATION DISTRICT**  
**FINANCIAL STATEMENTS**  
**Fiscal Year Ended June 30, 2014**  
**(With Independent Auditor's Report Thereon)**

**State of New Mexico  
 Carlsbad Soil and Water Conservation District  
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 June 30, 2014**

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**State of New Mexico  
Carlsbad Soil and Water Conservation District  
Official Roster  
June 30, 2014**

**Board of Supervisors**

**Position**

Nathan Jurva

Chairperson

Ridley Garner

Vice-Chairperson

Jim Carr

Secretary/Treasurer

Kristin Pope

Supervisor

Charles Goodwin

Supervisor

Henry Vasquez

Supervisor

Lupe Carrasco

Supervisor

**District Personnel**

Judy Bock

District Manager

Judith Ortego

Administrative Assistant

## Financial Section

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

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**Independent Auditor's Report**

Hector H. Balderas, State Auditor  
The Board of Supervisors of  
Carlsbad Soil and Water Conservation District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison for the general fund and major special revenue fund of Carlsbad Soil and Water Conservation District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Carlsbad Soil and Water Conservation District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Carlsbad Soil and Water Conservation District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major funds of the District as of June 30, 2014 and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

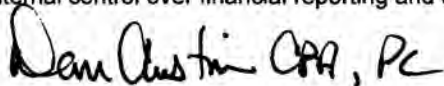
Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 6-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on Carlsbad Soil and Water Conservation District financial statements, of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison for the general fund and major special revenue fund. 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, as is not a required part of the financial statements. The additional schedules listed as "other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, additional statement and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2014 on our consideration of the Carlsbad Soil and Water Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Carlsbad Soil and Water Conservation District's internal control over financial reporting and compliance.



November 5, 2014

**STATE OF NEW MEXICO**  
**CARLSBAD SOIL AND WATER CONSERVATION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014**

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, 2014.

**Financial Highlights**

The assets of the Carlsbad SWCD exceeded its liabilities at the close of the most recent fiscal year by \$1,229,757 (net position). Of this amount \$888,671 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and cooperators.

The District's total assets decreased by \$75,746 and liabilities increased by \$51,623. The decrease in total assets is a result of an operating income and cash on hand from unspent loan proceeds for the improvement of district facilities in the amount of \$60,002. The increase in liabilities is the result of additional debt incurred to improve facilities of the District at June 30, 2014.

As of close of the current fiscal year, the Carlsbad SWCD's governmental funds reported an ending fund balance of \$953,445, an increase of \$97,606 in comparison with the prior year. Of the ending fund balance, \$2,322 is reserved for payments to the New Mexico Finance Authority against outstanding loan principal, and \$60,002 for construction of District facilities. Approximately 93 percent of the ending total general fund balance amount of \$939,682 may be used to meet the District's ongoing obligations to citizens and creditors.

The Carlsbad SWCD's total debt decreased by \$60,454 during the current fiscal year. There was incurred for facilities improvements.

**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 position presents information on all of the Carlsbad SWCD's assets and liabilities, with the difference between the two reported as net position. Overtime, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, 2014**

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 12-14 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 14-17 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position 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 \$1,229,757 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, 2014**

By far the largest portion of the Carlsbad SWCD's net position 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 Position

	Government Activities	
	2014	2013
Current and other assets	\$ 953,445	\$ 856,290
Capital assets	<u>356,059</u>	<u>365,014</u>
Total assets	<u>1,309,504</u>	<u>1,221,304</u>
Other liabilities	2,450	11,281
Long-term liabilities	<u>77,297</u>	<u>16,843</u>
Total liabilities	<u>79,747</u>	<u>28,124</u>
Net position:		
Invested in capital assets net of related debt	278,762	365,014
Restricted	62,324	23,559
Unrestricted	<u>888,671</u>	<u>804,607</u>
Total net position	<u>\$ 1,229,757</u>	<u>\$ 1,193,180</u>

An additional portion of the Carlsbad SWCD's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$888,671 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 \$221,898 and other liabilities increased by \$1,112. The increase in net position is a result of operational income of \$221,840 experienced by the District. The decrease in long-term liabilities is the result of payments related to District's long-term debt due at June 30, 2014.

**STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

Carlsbad Soil and Water Conservation District  
Changes in Net Position

	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Federal operating grants	\$ 633,762	\$ 1,030,738
State and other operating grants	449,589	229,657
Charges for services	50,668	56,215
General revenues:		
Property taxes	314,904	288,786
Interest	1,233	1,694
Total Revenues	<u>1,450,156</u>	<u>1,607,090</u>
Program Expenses:		
Administration	257,837	221,759
Conservation programs	1,146,787	1,150,627
Depreciation	8,955	12,864
Total Program Expense	<u>1,413,579</u>	<u>1,385,250</u>
Change in Net Position	36,577	221,840
Beginning Net Position	<u>1,193,180</u>	<u>971,340</u>
Ending Net Position	<u>\$ 1,229,757</u>	<u>\$ 1,193,180</u>

The decrease in federal funding (\$376,976) is due to an decrease funds received from the New Mexico Association of Conservation Districts designated for restoration, reclamation and noxious weed control projects. The increase in state and other funding (\$290,664) is mainly due to the District having a increase in funding from non-government sources.

Conservation program expenses decreased (\$3,840); this decrease was not proportionate to the decrease in total revenues due to the carryover of non-governmental funding from the prior year but represents the amount of work accomplished in watershed improvement and community projects.

**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, 2014**

As of the end of the current fiscal year, the Carlsbad SWCD' governmental funds reported combined ending fund balances of \$953,445, an increase of \$97,606 in comparison with the prior year. Approximately 90 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 increased during the current fiscal year as a result of the following key factor: Unspent proceeds for debt financing with the New Mexico Finance Authority.

**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 18.

**Debt Administration**

During the current fiscal year the Carlsbad SWCD had no loans to fund conservation projects. The District incurred new debt for the purpose of building improvements to existing facilities.

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

The nation's economy direction remains stagnate resulting in uncertainty in funding conservation projects. These factors were considered in preparing the Carlsbad SWCD's budget for the fiscal year 2014.

**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 POSITION  
JUNE 30, 2014**

<b>Assets</b>	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 835,923
Property Tax Receivable	19,699
Grants Receivable	31,814
Restricted Cash	62,324
Loans Receivable	3,685
Capital assets, Net	<u>356,059</u>
 Total assets	 <u>1,309,504</u>
 <b>Liabilities</b>	
Current Liabilities	
Accounts Payable	-
Current Long-Term Debt	11,207
Compensated Absence	2,450
Noncurrent liabilities:	
Long-Term Debt	<u>66,090</u>
 Total liabilities	 <u>79,747</u>
 <b>Net Position</b>	
Net Investment in Capital Assets	278,762
Restricted:	
Debt Service	2,322
Construction	60,002
Unrestricted	<u>888,671</u>
 Total Net Position	 <u>\$ 1,229,757</u>

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

**STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Governmental Activates
<b>Program Expenses:</b>	
Administration	\$ 257,837
Depreciation	8,955
Conservation Programs	1,146,787
Total program expenses	1,413,579
<b>Program Revenues:</b>	
Charges for services	50,668
State operating grants and contracts	332,683
Federal operating grants and contracts	633,762
Other operating grants and contracts	116,906
Total program revenues	1,134,019
Net program (expense) revenue	(279,560)
<b>General Revenues:</b>	
Property taxes levied for operations	314,904
Interest	1,233
Total general revenues	316,137
Change in net position	36,577
Net position at beginning of year	1,193,180
Net position at end of year	\$ 1,229,757

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

**STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	General Fund	Special Revenue Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 825,845	\$ 10,078	\$ 835,923
Property Tax Receivable	19,699	-	19,699
Grants Receivable	31,814	-	31,814
Restricted Cash	62,324	-	62,324
Loans Receivable	-	3,685	3,685
<b>Total assets</b>	<b>\$ 939,682</b>	<b>\$ 13,763</b>	<b>\$ 953,445</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>			
Restricted-Debt Service	2,322	-	2,322
Restricted for Construction	60,002	-	60,002
Restricted-Special Revenue	-	13,763	13,763
Unassigned	877,358	-	877,358
<b>Total fund balance</b>	<b>939,682</b>	<b>13,763</b>	<b>953,445</b>
<b>Total liabilities and fund balance</b>	<b>\$ 939,682</b>	<b>\$ 13,763</b>	<b>\$ 953,445</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 POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	\$ 953,445
Capital Assets not reported in the government funds, and are reported net of accumulated depreciation	356,059
Compensated absences not reported in the government funds	(2,450)
Debt principal not recorded in the government funds and reported in the Statement of net Assets	<u>(77,297)</u>
Total net position government activities	<u>\$ 1,229,757</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, 2014

	General Fund	Special Revenue Fund	Total
<b>Revenues</b>			
New Mexico Department of Agriculture	\$ 12,907	\$ -	\$ 12,907
Mill Levy	314,904	-	314,904
NMSWCC Grant	4,500	-	4,500
Center for Excellence Grant	293,686	-	293,686
State and Local-Noxious Weed Grant	38,997	-	38,997
Playa Lakes Joint Venture Grant	99,499	-	99,499
BLM-NMACD	375,424	-	375,424
BLM-Assistance Agreements	258,338	-	258,338
Services Revenue	50,668	-	50,668
Interest Income	961	272	1,233
<b>Total revenues</b>	<b>1,449,884</b>	<b>272</b>	<b>1,450,156</b>
<b>Expenditures</b>			
<b>Current:</b>			
Bond and insurance	5,107	-	5,107
Debt Service	8,798	-	8,798
Building Maintenance	5,857	-	5,857
Community Projects	47,269	-	47,269
Contractual Services	20,671	-	20,671
Dues and subscriptions	2,051	-	2,051
Salaries and benefits	103,066	-	103,066
Information and education	13,010	-	13,010
Mailing expense	739	-	739
Meeting expense	1,679	-	1,679
Miscellaneous	-	-	-
Per Diem	1,639	-	1,639
Supplies	12,885	-	12,885
Utilities	5,244	-	5,244
Vegetation management	33,584	-	33,584
Vehicle operation and maintenance	1,268	-	1,268
Watershed Project Expense-State & Local	513,025	-	513,025
Watershed Project Expense-Federal	633,762	-	633,762
ISC Loan Administration	-	3,350	3,350
<b>Total expenditures</b>	<b>1,409,654</b>	<b>3,350</b>	<b>1,413,004</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>40,230</b>	<b>(3,078)</b>	<b>37,152</b>
<b>Other Financing Sources (Uses)</b>			
Loan Proceeds	60,454	-	60,454
<b>Net Other Financing Sources (Uses)</b>	<b>60,454</b>	<b>-</b>	<b>60,454</b>
<b>Net Change in Fund Balance</b>	<b>100,684</b>	<b>(3,078)</b>	<b>97,606</b>
<b>Fund balance beginning of year as reported</b>	<b>838,998</b>	<b>16,841</b>	<b>855,839</b>
<b>Fund balance end of year</b>	<b>\$ 939,682</b>	<b>\$ 13,763</b>	<b>\$ 953,445</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, 2014**

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	\$	97,606
Change in compensated absences not recorded in the government funds		325
Depreciation expense		(8,955)
Loan proceeds recorded as revenue in the fund statements		(60,454)
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>8,055</u>
Change in net position -government activities	\$	<u><u>36,577</u></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, 2014

	General Fund				Special Revenue Fund			
	Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>								
NMDA	\$ 12,262	\$ 12,900	\$ 12,907	\$ 7	\$ -	\$ -	\$ -	\$ -
Mill Levy	-	314,520	314,519	(1)	-	-	-	-
NMSWCC Grant	4,500	4,500	4,500	-	-	-	-	-
Center For Excellence Grant	250,300	293,700	293,686	(14)	-	-	-	-
State and Local-Noxious Weed Grant	30,000	39,000	38,997	(3)	-	-	-	-
Playa Lakes Joint Venture Grant	45,663	99,500	99,499	(1)	-	-	-	-
BLM-NMACD	620,000	375,500	375,424	(76)	-	-	-	-
BLM-Assistance Agreements	240,000	258,400	258,338	(62)	-	-	-	-
Miscellaneous Revenue	62,000	51,000	50,668	(332)	-	-	-	-
Interest Income	900	900	961	61	-	-	-	-
NMFA Loan Proceeds	-	-	60,454	60,454	-	-	-	-
Loan Repayments	-	-	-	-	3,300	3,300	3,392	92
<b>Total revenues</b>	<b>1,265,625</b>	<b>1,449,920</b>	<b>1,509,953</b>	<b>60,033</b>	<b>3,300</b>	<b>3,300</b>	<b>3,392</b>	<b>92</b>
<b>Expenditures</b>								
Current:								
Bond and insurance	5,000	5,200	5,107	93	-	-	-	-
Debt Service	8,800	8,800	8,798	2	-	-	-	-
Building Maintenance	5,500	5,900	5,857	43	-	-	-	-
Community Projects	51,500	47,750	47,269	481	-	-	-	-
Contractual Services	20,675	20,675	20,671	4	-	-	-	-
Dues and subscriptions	-	2,100	2,051	49	-	-	-	-
Salaries and benefits	130,117	104,400	103,066	1,334	-	-	-	-
Information and education	20,200	15,500	13,010	2,490	-	-	-	-
Mailing expense	675	750	739	11	-	-	-	-
Meeting expense	3,000	2,000	1,679	321	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Per Diem	3,000	2,000	1,639	361	-	-	-	-
Supplies	10,000	13,000	12,885	115	-	-	-	-
Utilities	6,200	5,300	5,244	56	-	-	-	-
Vegetation management	45,000	34,000	33,584	416	-	-	-	-
Vehicle operation and maintenance	2,000	1,500	1,268	232	-	-	-	-
Watershed Project Expense-State and Local	440,140	513,100	513,025	75	-	-	-	-
Watershed Project Expense-Federal	600,000	633,900	633,762	138	-	-	-	-
ISC Loan administration	-	-	-	-	3,300	3,350	3,350	-
<b>Total Expenditures</b>	<b>1,351,807</b>	<b>1,415,875</b>	<b>1,409,654</b>	<b>\$ 6,221</b>	<b>3,300</b>	<b>3,350</b>	<b>3,350</b>	<b>\$ -</b>
Excess (Deficiency) of Revenues over Expenditures	(86,182)	34,045	\$ 100,299		-	(50)	\$ 42	
Cash Balance, Beginning	808,937	808,937			10,036	10,036		
Cash Balance, Ending	\$ 722,755	\$ 842,982			\$ 10,036	\$ 9,986		

Reconciliation to GAAP Basis

Change in Accounts Payable	-
Change in Taxes Receivable	385
<b>Net Change in Fund Balance</b>	<b>\$ 100,684</b>

Reconciliation to GAAP Basis

Change in Accounts Payable	-
Change in Loans Receivable	(3,120)
<b>Net Change in Fund Balance</b>	<b>\$ (3,078)</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, 2014**

	<u>Agency Fund</u>
<b>Assets</b>	
Cash	\$ <u>3,151</u>
	<u>\$ 3,151</u>
<b>Liabilities</b>	
Accounts Payable	\$ -
Due To Other Agencies	<u>3,151</u>
Total Liabilities	<u>\$ 3,151</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, 2014**

**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

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

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

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The District, a phase three government, was required to implement GASB Statement 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. 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 position) 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. The District does not have any business-type activities.

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.

**State of New Mexico**  
**Carlsbad Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

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

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

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 are generally 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, 2014**

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

*1. Cash, cash equivalent and investments*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The District is also allowed to invest in United States Government obligations. All funds for the District must follow the above investment policies.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

*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. Fund Balance*

In accordance with GASB Statement No. 54, fund balances are classified as non-spendable, restricted, committed, assigned or unassigned.

**Non-Spendable**

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

**State of New Mexico**  
**Carlsbad Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2014**

**Restricted**

Fund balance is reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

**Committed**

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the District's Board of Supervisors should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the District's Board of Supervisors removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The District did not have committed fund balances for the year ended June 30, 2014.

**Assigned**

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and amounts in the general fund that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent, and removal of, is expressed by the Board of Supervisors or the Finance Committee. The District did not have assigned fund balances for the year ended June 30, 2014.

**Unassigned**

The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

When committed, assigned, and unassigned resources are available for use, it is the District's policy to use committed first followed by followed by assigned and unassigned resources as they are needed.

**4. Net Position**

Net position is presented on the statement of net position and may be presented in any of three components.

**Invested in capital assets, net of related debt**

This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. That portion of the debt is included in restricted for capital projects.

**Restricted net position**

Net position is reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

**Unrestricted net position**

Unrestricted net position consists of net position that does not meet the definition of "invested in capital assets, net of related debt" or "restricted."



**State of New Mexico**  
**Carlsbad Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2014**

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.

In the governmental environment, net position often is designated to indicate that management does not consider them to be available for general operations. In contrast to restricted net position, these types of constraints on resources are internal and management can remove or modify them. However, enabling legislation established by the reporting government should not be construed as an internal constraint.

**5. 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

**6. 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.

**7. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net position. Bond premiums and discounts, as well as issuance costs, are expensed in the period incurred. Bonds payable are reported net of the applicable bond premium or discounts.

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

**State of New Mexico**  
**Carlsbad Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2014**

**8. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**II. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

Budgets for the General Fund are prepared by management and are approved by the local Board of Supervisors and the New Mexico Department of Finance and Administration.

These budgets are prepared on the Non-GAAP cash basis and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget at the total fund level. The budget may be amended by the Board of Supervisors with the approval of New Mexico Department of Finance and Administration, Local Government Division (DFA-LGD).

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:  
Prior to April 1, the Budget Committee submits to the Board of Supervisors a proposed operating budget of the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of enhancing them.

Prior to June 1, the budget is approved or adjusted and approved by the Board of Supervisors.

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.

Formal budgetary integration is employed as a management control device during the year for the General Fund.

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.

**B. Budgetary Violations**

There were no budgetary violations during the year ended June 30, 2014.

**C. Deficit Fund Equity**

There was not a deficit fund balance as of June 30, 2014.

**III. Detailed Notes on all Funds**

**A. Cash**

As of June 30, 2014, the District had a carrying amount of deposits as authorized by the New Mexico Constitution amounted to \$901,398, of which \$2,322 is held by and restricted to the repayment of New Mexico Finance Authority debt. The balances on deposit were \$928,808. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$27,410.

**State of New Mexico**  
**Carlsbad Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2014**

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	\$ 69,125	\$ -	\$ -	\$ 69,125
Eddy Federal Savings	Checking	Investment	96,764	-	-	96,764
Pioneer Bank	Checking	Investment	84,276	-	-	84,276
Western Commerce	Checking	Operating	449,621	(24,110)	-	425,511
Financial Security Credit	Checking	Investment	150,168	-	-	150,168
Eddy Federal Savings	Checking	Operating	13,378	(3,300)	-	10,078
Total unrestricted cash			<u>863,332</u>	<u>(27,410)</u>	<u>-</u>	<u>835,922</u>
<b>Restricted Cash:</b>						
NMFA/NMSTO	Trust	Debt Service	60,002	-	-	60,002
NMFA/NMSTO	Trust	Debt Service	2,322	-	-	2,322
Total restricted cash			<u>62,324</u>	<u>-</u>	<u>-</u>	<u>62,324</u>
Total cash on deposit			<u>\$ 925,656</u>	<u>\$ (27,410)</u>	<u>\$ -</u>	<u>\$ 898,246</u>
<b>Agency</b>						
Carlsbad National	Checking	Agency	\$ 3,152	\$ -	\$ -	\$ 3,152
Total Agency			<u>\$ 3,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,152</u>
Total			<u>\$ 928,808</u>	<u>\$ (27,410)</u>	<u>\$ -</u>	<u>\$ 901,398</u>

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	36262KY66	FHLB Dallas	3/20/2026	\$ 61,562	\$ 63,429
GNMA #080363	36225CMM5	FHLB Dallas	1/20/2030	16,792	17,376
GNMA #004216	36202EVH9	FHLB Dallas	8/20/1938	23,960	26,062
GNMA #080493	36225CRP3	FHLB Dallas	2/20/2031	37,499	39,176
GNMA #002689	36225CRP3	FHLB Dallas	2/20/2028	31,902	36,016
GNMA #080493	36204BA36	FHLB Dallas	1/20/2019	22,340	22,864
GNMA #080493	36235CKP3	FHLB Dallas	1/20/2028	27,921	28,832
Total FMV of Collateral					233,755
Total Deposits				\$ 928,808	
Less: FDIC Insurance				(729,187)	
Uninsured Deposits				199,621	
Required Pledge				50%	99,811
Pledge Over (Short)				Pledge Over (Short)	\$ 133,945

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 its custodial credit risk amounted to \$0 at June 30, 2014.

**State of New Mexico**  
**Carlsbad Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2014**

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance 12/31/2013	Increases	Decreases	Balance 12/31/2014
<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	26,445	-	-	26,445
Total capital assets being depreciated	<u>492,149</u>	<u>-</u>	<u>-</u>	<u>492,149</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	85,162	6,641	-	91,803
Vehicles	38,185	-	-	38,185
Equipment	23,788	2,314	-	26,102
Total accumulated depreciation	<u>147,135</u>	<u>8,955</u>	<u>-</u>	<u>156,090</u>
Total capital assets being depreciated, net	<u>345,014</u>	<u>(8,955)</u>	<u>-</u>	<u>336,059</u>
Capital assets, net	<u>\$ 365,014</u>	<u>\$ (8,955)</u>	<u>\$ -</u>	<u>\$ 356,059</u>

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

**C. Long-Term Obligations**

Long-term obligations of the District are as follows:

	Balance 6/30/2013	Increases	Decreases	Balance 6/30/2014	Current Portion
4.0% Note Payable, payable to the New Mexico Finance Authority in monthly installments of \$732. The purpose was to Finance District Office Building	\$ 24,897	\$ -	\$ 8,054	\$ 16,843	\$ 8,055
2.823% Note Payable, payable to the New Mexico Finance Authority in monthly installments of \$433. The purpose was to finance District Office Building Improvements	-	60,454	-	60,454	3,152
Total Long-Term Obligations	<u>\$ 24,897</u>	<u>\$ 60,454</u>	<u>\$ 8,054</u>	<u>\$ 77,297</u>	<u>\$ 11,207</u>

The annual requirements to amortize principal on all debt outstanding as of June 30, 2014, is as follows:

Fiscal Year	Principal	Interest	Total
2015	\$ 11,402	\$ 1,560	\$ 12,962
2016	12,248	1,581	13,829
2017	3,674	1,295	4,969
2018	3,703	1,269	4,972
2019	3,746	1,230	4,976
2020-2024	19,825	5,112	24,937
2025-2029	22,698	2,341	25,039
	<u>\$ 77,296</u>	<u>\$ 14,388</u>	<u>\$ 91,684</u>

**State of New Mexico**  
**Carlsbad Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2014**

**IV. Other Information**

**A. Employee Retirement Benefits**

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

Funding Policy. Plan members are required to contribute 7% of their gross salary. The District is required to contribute 7% of the gross covered salary. The contribution requirements of plan members and the District are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the years ended June 30, 2014, 2013, and 2012 are \$5,858, \$5,535 and \$5,382 respectively, equal to the amount of required contributions each year.

**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 District. 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. Subsequent Accounting Pronouncements**

The GASB issued Statement No. 70 Accounting and *Financial reporting for Non-exchange Financial Guarantees* which is effective for financial statements for periods beginning after June 15, 2013. This statement established accounting and financial reporting standards for financial guarantees that are non-exchange transaction extended or received by a state or local government. A non-exchange financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, which requires the guarantor to indemnify a third-party obligation holder under specified conditions. This statement is effective for financial statements for reporting periods beginning after June 15, 2013. The District has reviewed the statement and has determined that it does not apply to the District.

## Other Supplemental Information

**STATE OF NEW MEXICO  
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2014**

	Beginning Balance 6/30/2013	Additions	Deletions	Ending Balance 6/30/2014
<b>Assets</b>				
Cash	\$ 3,204	\$ 57,219	\$ 57,272	\$ 3,151
Total Assets	<u>\$ 3,204</u>	<u>\$ 57,219</u>	<u>\$ 57,272</u>	<u>\$ 3,151</u>
<b>Liabilities</b>				
Accounts Payable Due To Other Agencies	\$ - 3,204	\$ - 57,219	\$ - 57,272	\$ - 3,151
Total Liabilities	<u>\$ 3,204</u>	<u>\$ 57,219</u>	<u>\$ 57,272</u>	<u>\$ 3,151</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, 2014**

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	L11AC20145	15.231	\$ 258,338
Passed through the New Mexico Association of Conservation Districts:			
Restore New Mexico Program	L11AC20216	15.231	375,424
<b>Bureau of Reclamation:</b>			
Pecos River Salt cedar Management Demonstration Project	06-FC-40-2537	15.517	<u>57,291</u>
Total			<u>\$ 691,053</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**

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**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**

**INDEPENDENT AUDITORS' REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the budgetary comparison for the general fund and major special revenue fund of Carlsbad Soil and Water Conservation District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Carlsbad Soil and Water Conservation District's basic financial statements and have issued our report thereon dated November 5, 2014.

**Internal Control Over Financial Reporting**

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

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

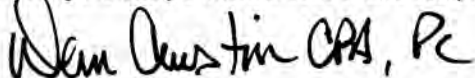
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

**Compliance and other matters**

As part of obtaining reasonable assurance about whether Carlsbad Soil and Water Conservation 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Purpose of this Report**

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



November 5, 2014

**Dan Austin CPA, PC  
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Ruidoso, NM 88345**

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

**INDEPENDENT AUDITORS' REPORT**

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

**Report on Compliance for Each Major Federal Program**

We have audited Carlsbad Soil and Water Conservation District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that have a direct and material effect on each of Carlsbad Soil and Water Conservation District's major federal programs for the year ended June 30, 2014. 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.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Carlsbad Soil and Water Conservation District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Carlsbad Soil and Water Conservation District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, 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, 2014.

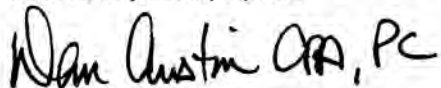
**Report on Internal Control Over Compliance**

Management of Carlsbad Soil and Water Conservation District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Carlsbad Soil and Water Conservation District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Carlsbad 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



November 5, 2014

**State of New Mexico  
Carlsbad Soil and Water Conservation District  
Schedule of Audit Findings, Recommendations, Responses and Other Disclosures  
June 30, 2014**

Summary of Auditors Results:

Financial Statements

1. Type of report issued: Unmodified
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. Unmodified
3. Any audit findings disclosed 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**

No Findings.

**State of New Mexico  
Carlsbad Soil and Water Conservation District  
Schedule of Audit Findings, Recommendations, Responses and Other Disclosures  
June 30, 2014**

**CURRENT YEAR FINDINGS**

**No findings.**

**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 12, 2014, an exit conference was held at the District's administrative offices. Present were Nathan Jurva, Chairman, Jim Carr, Secretary/Treasurer, Judy Bock, District Manager, Dan Austin, CPA, representing the audit firm. The District financial condition and report for the year ended June 30, 2014, was discussed as well as other financial reporting considerations.