

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2015
(With Independent Auditor's Report Thereon)

Dan Austin CPA, PC
700 Mechem Drive Suite 15
Ruidoso, New Mexico 88345

**State of New Mexico
 Carlsbad Soil and Water Conservation District
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 June 30, 2015**

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**State of New Mexico
Carlsbad Soil and Water Conservation District
Official Roster
June 30, 2015**

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**

Independent Auditor's Report

Tim Keller, 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, 2015, 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. We did not audit the Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Public Employee Retirement Association (PERA), the administrator of the cost sharing pension plan for the District. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors.

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, 2015 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.

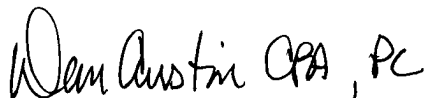
Other Information

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. Our audit was conducted for the purpose of forming opinions on Carlsbad Soil and Water Conservation District's financial statements, and the budgetary comparisons. The other schedules as required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The other schedules required by 2.2.2 NMAC are the responsibility of management and was derived from and relates 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 statement 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, the other schedules as required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 16, 2015 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 16, 2015

**STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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, 2015.

Financial Highlights

The assets of the Carlsbad SWCD exceeded its liabilities at the close of the most recent fiscal year by \$1,216,362 (net position). Of this amount \$832,206 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and cooperators.

The District's total assets increased by \$53,797 and liabilities increased by \$49,445 due to recognizing pension liabilities as a result of new accounting pronouncements. The increase in total assets is a result of an operating income and the acquisition for capital assets for operations from prior year unspent loan proceeds for the improvement of district facilities in the amount of \$108,231. The increase in liabilities is the result of additional debt incurred to improve facilities of the District at June 30, 2015.

As of close of the current fiscal year, the Carlsbad SWCD's governmental funds reported an ending fund balance of \$916,050, an decrease of \$37,375 in comparison with the prior year. Of the ending fund balance, \$2,753 is reserved for payments to the New Mexico Finance Authority against outstanding loan principal. Approximately 98 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 \$11,499 during the current fiscal year.

The District implemented new accounting pronouncements to record pension liabilities and restate its net position.

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, 2015**

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 \$1,215,361 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, 2015**

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	
	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 916,050	\$ 953,445
Capital assets	447,251	\$ 356,059
Deferred Outflows of Resources	<u>6,364</u>	<u>-</u>
Total assets	<u>1,369,665</u>	<u>1,309,504</u>
Other liabilities	2,675	2,450
Pension Liabilities	61,628	-
Long-term liabilities	65,848	-
Deferred Inflows of Resources	<u>24,153</u>	<u>77,297</u>
Total liabilities	<u>154,304</u>	<u>79,747</u>
Net position:		
Invested in capital assets net of related debt	381,403	278,762
Restricted	2,753	62,324
Unrestricted	<u>830,830</u>	<u>888,671</u>
Total net position	<u>\$ 1,215,361</u>	<u>\$ 1,229,757</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 \$830,830 may be used to meet the District's ongoing obligations to citizens and creditors.

**STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Carlsbad Soil and Water Conservation District
Changes in Net Position

	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Federal operating grants	\$ 788,515	\$ 633,762
State and other operating grants	568,170	449,589
Charges for services and other	4,674	37,761
General revenues:		
Property taxes	317,624	314,904
State Appropriation	14,741	12,907
Interest	1,395	1,233
Total Revenues	1,695,119	1,450,156
Program Expenses:		
Administration	257,240	257,837
Conservation programs	1,351,927	1,146,787
Depreciation	17,129	8,955
Total Program Expense	1,626,296	1,413,579
Change in Net Position	68,823	36,577
Beginning Net Position	1,229,757	1,193,180
Restatement	(83,219)	
Ending Net Position	\$ 1,215,361	\$ 1,229,757

The increase in federal funding (\$154,753) is due to an increase 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 (\$118,581) is mainly due to the District having a increase in funding from non-government sources.

Conservation program expenses decreased (\$205,140); this decrease was not proportionate to the increase in total revenues due to the grant 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, 2015**

As of the end of the current fiscal year, the Carlsbad SWCD' governmental funds reported combined ending fund balances of \$916,050.

The fund balance of the Carlsbad SWCD's decreased during the current fiscal year as a result of the following key factor: Spent the proceeds for debt financing with the New Mexico Finance Authority to acquire new capital assets..

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 did not incur new debt during the current year..

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 2016.

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, 2015

	Governmental Activities
Assets	
Current:	
Cash and cash equivalents	\$ 644,358
Property Tax Receivable	5,323
Grants Receivable	261,112
Restricted Cash	2,753
Loans Receivable	2,504
Non Current:	
Capital assets, Net	447,251
Total assets	1,363,301
Deferred Outflows of Resources	
Post Measurement Date Contributions	6,364
Total Deferred Outflows of Resources	6,364
Total Assets and Deferred Outflows	\$ 1,369,665
Liabilities	
Current Liabilities	
Accounts Payable	-
Current Long-Term Debt	12,202
Compensated Absence	2,675
Noncurrent liabilities:	
Net Pension Liability	61,628
Long-Term Debt	53,646
Total liabilities	130,151
Deferred Inflows of Resources	
Change in Assumptions-Net Pension Liability	42
Investment Experience-Net Pension Liability	24,111
Total Deferred Inflows of Resources	24,153
Net Position	
Net Investment in Capital Assets	381,403
Restricted:	
Debt Service	2,753
Unrestricted	831,205
Total Net Position	1,215,361
Total Liabilities, Deferred Inflows and Net Position	\$ 1,369,665

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, 2015**

	Governmental Activates
Program Expenses:	
Administration	\$ 257,240
Depreciation	17,129
Conservation Programs	1,351,927
Total program expenses	1,626,296
Program Revenues:	
Charges for services and goods	4,674
State and Local Grants	568,170
Federal operating grants and contracts	788,515
Total program revenues	1,361,359
Net program (expense) revenue	(264,937)
General Revenues:	
Property taxes levied for operations	317,624
State Appropriation	14,741
Interest	1,395
Total general revenues	333,760
Change in net position	68,823
Net position at beginning of year, as previously stated	1,229,757
Restatement	(83,219)
Net position at beginning of year, restated	1,146,538
Net position at end of year	\$ 1,215,361

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, 2015**

	General Fund	Special Revenue Fund	Total
Assets			
Cash and cash equivalents	\$ 634,252	\$ 10,106	\$ 644,358
Property Tax Receivable	5,323	-	5,323
Grants Receivable	261,112	-	261,112
Restricted Cash	2,753	-	2,753
Loans Receivable	-	2,504	2,504
Total assets	\$ 903,440	\$ 12,610	\$ 916,050
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued Payroll	-	-	-
Total liabilities	-	-	-
Fund balance:			
Restricted-Debt Service	2,753	-	2,753
Restricted-Special Revenue	-	12,610	12,610
Unassigned	900,687	-	900,687
Total fund balance	903,440	12,610	916,050
Total liabilities and fund balance	\$ 903,440	\$ 12,610	\$ 916,050

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, 2015**

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	\$ 916,050
Capital Assets not reported in the government funds, and are reported net of accumulated depreciation	447,251
Compensated absences not reported in the government funds	(2,675)
Debt principal not recorded in the government funds and reported in the Statement of net Assets	(65,848)
Deferred Outflows related to pensions	6,364
Pensions Payable	(61,628)
Deferred Inflows related to pensions	<u>(24,153)</u>
Total net position government activities	<u><u>\$ 1,215,361</u></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, 2015**

	General Fund	Special Revenue Fund	Total
Revenues			
New Mexico Department of Agriculture	\$ 14,741	\$ -	\$ 14,741
Mill Levy	317,624	-	317,624
State and Local Grants	568,170	-	568,170
BLM-NMACD	592,322	-	592,322
BLM-Assistance Agreements	196,193	-	196,193
Services Revenue	4,674	-	4,674
Interest Income	1,248	147	1,395
Total revenues	1,694,972	147	1,695,119
Expenditures			
Current:			
Bond and insurance	6,425	-	6,425
Building Maintenance	5,575	-	5,575
Community Projects	24,572	-	24,572
Contractual Services	20,671	-	20,671
Dues and subscriptions	3,250	-	3,250
Salaries and benefits	97,850	-	97,850
Information and education	19,628	-	19,628
Mailing expense	834	-	834
Meeting expense	2,601	-	2,601
Miscellaneous	-	-	-
Per Diem	962	-	962
Supplies	15,686	-	15,686
Utilities	4,823	-	4,823
Vegetation management	52,894	-	52,894
Vehicle operation and maintenance	2,052	-	2,052
Watershed Project Expense-State & Local	563,412	-	563,412
Watershed Project Expense-Federal	788,515	-	788,515
ISC Loan Administration		1,300	1,300
Capital Outlay	108,321	-	108,321
Debt Service	13,143	-	13,143
Total expenditures	1,731,214	1,300	1,732,514
Excess (Deficiency) of Revenues Over Expenditures	(36,242)	(1,153)	(37,395)
Other Financing Sources (Uses)			
Loan Proceeds	-	-	-
Net Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	(36,242)	(1,153)	(37,395)
Fund balance beginning of year as reported	939,682	13,763	953,445
Fund balance end of year	\$ 903,440	\$ 12,610	\$ 916,050

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, 2015

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	\$ (37,395)
Change in compensated absences not recorded in the government funds	(225)
Depreciation expense not recorded in government funds	(17,129)
Capital outlay recorded as expenditures in government funds	108,321
Cost of pension benefits earned net of employee contributions	3,802
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>11,449</u>
Change in net position -government activities	<u><u>\$ 68,823</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, 2015

	General Fund				Special Revenue Fund-Reloan Program			
	Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues								
NMDA	\$ 12,200	\$ 12,200	\$ 14,741	\$ 2,541	\$ -	\$ -	\$ -	\$ -
Mill Levy	275,000	332,000	332,000	-	-	-	-	-
State and Local Grants	30,000	628,965	568,170	(60,795)	-	-	-	-
BLM-NMACD	450,000	570,165	592,322	22,157	-	-	-	-
BLM-Assistance Agreements	-	200,000	196,193	(3,807)	-	-	-	-
Miscellaneous Revenue	6,000	7,255	4,674	(2,581)	-	-	-	-
Interest Income	900	901	1,248	347	-	-	-	-
NMFA Loan Proceeds	60,454	60,879	-	(60,879)	-	-	-	-
Loan Repayments	-	-	-	-	-	1,330	1,328	(2)
Total revenues	834,554	1,812,365	1,709,348	(103,017)	-	1,330	1,328	(2)
Expenditures								
Current:								
Bond and insurance	4,300	6,425	6,425	-	-	-	-	-
Debt Service	11,800	11,800	13,143	(1,343)	-	-	-	-
Capital Outlay	60,454	108,320	108,321	-	-	-	-	-
Building Maintenance	5,500	5,575	5,575	-	-	-	-	-
Community Projects	-	24,575	24,572	3	-	-	-	-
Contractual Services	20,675	20,675	20,671	4	-	-	-	-
Cost Share	27,500	11,500	-	11,500	-	-	-	-
Dues and subscriptions	3,000	3,250	3,250	-	-	-	-	-
Salaries and benefits	135,791	97,847	97,850	(3)	-	-	-	-
Information and education	20,000	20,000	19,628	372	-	-	-	-
Mailing expense	678	833	834	(1)	-	-	-	-
Meeting expense	-	3,000	2,601	399	-	-	-	-
Per Diem	3,000	950	962	(12)	-	-	-	-
Supplies	13,356	17,390	15,686	1,704	-	-	-	-
Utilities	6,500	6,500	4,823	1,677	-	-	-	-
Vegetation management	40,000	53,000	52,894	106	-	-	-	-
Vehicle operation and maintenance	2,000	2,050	2,052	(2)	-	-	-	-
Watershed Project Expense-State and Local	480,000	566,290	563,412	2,878	-	-	-	-
Watershed Project Expense-Federal	-	788,525	788,515	10	-	-	-	-
ISC Loan administration	-	-	-	-	1,300	1,300	1,300	-
Total Expenditures	834,554	1,748,505	1,731,214	\$ 17,292	1,300	1,300	1,300	\$ -
Excess (Deficiency) of Revenues over Expenditures	-	63,860	\$ (21,866)		(1,300)	30	\$ 28	
Cash Balance, Beginning	825,845	825,845			10,078	10,078		
Cash Balance, Ending	<u>\$ 825,845</u>	<u>\$ 889,705</u>			<u>\$ 8,778</u>	<u>\$ 10,108</u>		

Reconciliation to GAAP Basis

Change in Accounts Payable	-
Change in Taxes Receivable	(14,376)
Excess (Deficiency) Revenues over Expense	<u>\$ (36,242)</u>

Reconciliation to GAAP Basis

Change in Accounts Payable	-
Change in Loans Receivable	(1,181)
Excess (Deficiency) Revenues over Expense	<u>\$ (1,153)</u>

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

**STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2015**

	<u>Agency Fund</u>
Assets	
Cash	\$ <u>3,097</u>
	<u>\$ 3,097</u>
Liabilities	
Accounts Payable	\$ -
Due To Other Agencies	<u>3,097</u>
Total Liabilities	<u>\$ 3,097</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, 2015

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. 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 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.

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.

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, 2015.

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, 2015.

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."

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.

8. *Deferred Inflow/Outflows of Resources:* GASB 63 amended previous guidance on Unearned Revenues in financial statements to include deferred outflow of resources which is the consumption of net assets by the government that is applicable to future reporting periods and deferred inflow of resources which is acquisition of net assets by the government that is applicable to future reporting periods.

9. *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, 2015.

C. Deficit Fund Equity

There was not a deficit fund balance as of June 30, 2015.

III. Detailed Notes on all Funds

A. Cash

As of June 30, 2015, the District had a carrying amount of deposits as authorized by the New Mexico Constitution amounted to \$899,616, of which \$2,753 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 \$249,408. 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	
Unrestricted Cash:						
Carlsbad National Bank	Checking	Investment	\$ 94,246	\$ -	\$ -	\$ 94,246
Eddy Federal Savings	Checking	Investment	96,909	-	-	96,909
Pioneer Bank	Checking	Investment	109,391	-	-	109,391
Western Commerce	Checking	Operating	380,986	(248,108)	-	132,878
Financial Security Credit	Checking	Investment	200,828	-	-	200,828
Eddy Federal Savings	Checking	Operating	11,406	(1,300)	-	10,106
Total unrestricted cash			<u>893,766</u>	<u>(249,408)</u>	<u>-</u>	<u>644,358</u>
Restricted Cash:						
NMFA/NMSTO	Trust	Debt Service	419	-	-	419
NMFA/NMSTO	Trust	Debt Service	2,334	-	-	2,334
Total restricted cash			<u>2,753</u>	<u>-</u>	<u>-</u>	<u>2,753</u>
Total cash on deposit			<u>\$ 896,519</u>	<u>\$ (249,408)</u>	<u>\$ -</u>	<u>\$ 647,111</u>
Agency						
Carlsbad National	Checking	Agency	\$ 3,097	\$ -	\$ -	\$ 3,097
Total Agency			<u>\$ 3,097</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,097</u>
Total			<u>\$ 899,616</u>	<u>\$ (249,408)</u>	<u>\$ -</u>	<u>\$ 650,208</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	\$ 53,099	\$ 55,366
GNMA #080363	36225CMM5	FHLB Dallas	1/20/2030	15,522	16,176
GNMA #004216	36202EVH9	FHLB Dallas	8/20/1938	14,149	15,376
GNMA #080493	36225CRP3	FHLB Dallas	2/20/2031	35,166	36,240
GNMA #002689	36225CRP3	FHLB Dallas	2/20/2028	27,358	31,464
GNMA #080493	36204BA36	FHLB Dallas	1/20/2019	16,923	17,467
GNMA #080154	36235CKP3	FHLB Dallas	1/20/2028	24,241	25,275
Total FMV of Collateral					197,364
Total Deposits				\$ 896,519	
Less: FDIC Insurance				(768,630)	
Uninsured Deposits				<u>127,889</u>	
Required Pledge				50%	63,945
Pledge Over (Short)				Pledge Over (Short)	<u>\$ 133,420</u>

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 District 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, 2015.

B. Capital Assets

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

	Balance 12/31/2014	Increases	Decreases	Balance 12/31/2015
Capital assets not being depreciated:				
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>
Capital assets being depreciated:				
Buildings and improvements	425,024	71,821	-	496,845
Vehicles	40,680	36,500	-	77,180
Equipment	26,445	-	-	26,445
Total capital assets being depreciated	<u>492,149</u>	<u>108,321</u>	<u>-</u>	<u>600,470</u>
Less accumulated depreciation for:				
Equipment	<u>156,090</u>	<u>17,129</u>	<u>-</u>	<u>173,219</u>
Total accumulated depreciation	<u>156,090</u>	<u>17,129</u>	<u>-</u>	<u>173,219</u>
Total capital assets being depreciated, net	<u>336,059</u>	<u>91,192</u>	<u>-</u>	<u>427,251</u>
Business-type activity capital assets, net	<u>\$ 356,059</u>	<u>\$ 91,192</u>	<u>\$ -</u>	<u>\$ 447,251</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 6/30/2014	Increases	Decreases	Balance 6/30/2015	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	\$ 16,843	\$ -	\$ 8,297	\$ 8,546	\$ 8,546
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	<u>60,454</u>	<u>-</u>	<u>3,152</u>	<u>57,302</u>	<u>3,656</u>
Total Long-Term Obligations	<u>\$ 77,297</u>	<u>\$ -</u>	<u>\$ 11,449</u>	<u>\$ 65,848</u>	<u>\$ 12,202</u>

The annual requirements to amortize principal on all debt outstanding as of June 30, 2015, is as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 12,202	\$ 1,581	\$ 13,783
2017	3,674	1,295	4,969
2018	3,703	1,269	4,972
2019	3,746	1,230	4,976
2020	3,803	1,176	4,979
2020-2024	20,282	4,674	24,956
2025-2029	<u>18,438</u>	<u>1,603</u>	<u>20,041</u>
	<u>\$ 65,848</u>	<u>\$ 12,828</u>	<u>\$ 78,676</u>

IV. Other Information

A. Employee Retirement Benefits

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11 A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided for a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at:

[http://vAvw.pera.state.nm.us/pdf/AuditFinancialStatements/366 Public Employees Retirement Association 2014.pdf](http://vAvw.pera.state.nm.us/pdf/AuditFinancialStatements/366%20Public%20Employees%20Retirement%20Association%202014.pdf).

Contributions. The contribution requirements of defined benefit plan members and the Carlsbad Soil and Water Conservation District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY 14 annual audit report at [http://osanm.org/media/audits/366 Public Employees Retirement Association 2014.pdf](http://osanm.org/media/audits/366%20Public%20Employees%20Retirement%20Association%202014.pdf). The PERA coverage options that apply to Carlsbad Soil and Water Conservation District are State General. Statutorily required contributions to the pension plan from the Carlsbad Soil and Water Conservation District were \$6,364 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The (name of employee's proportion of the net pension liability for each

membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund State General Division at June 30, 2015, the Carlsbad Soil and Water Conservation District reported a liability of \$61,628 for its proportionate share of the net pension liability. At June 30, 2014, the Carlsbad Soil and Water Conservation District's proportion was .0588 %, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the Carlsbad Soil and Water Conservation recognized PERA Fund Division State General pension expense of \$6,364. At June 30, 2015, the Carlsbad Soil and Water Conservation District reported PERA Fund Division-State General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Change of assumptions	\$ -	\$ 42
Net Difference between projected and actual earnings on pension investments	-	24,111
Changes in proportion and differences between Carlsbad Soil and Water Conservation District contributions and proportionate share of contributions	-	-
Carlsbad SWCD contributions subsequent to the measurement date	<u>6,364</u>	<u>-</u>
Total	<u>\$ 6,364</u>	<u>\$ 24,153</u>

\$6,364 reported as deferred outflows of resources related to pensions resulting from Carlsbad Soil and Water Conservation District contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30

2016	\$	6,038
2017		6,038
2018		6,038
2019		6,038
2020		-
There After		-

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities

as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	30-Jun-13
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage pay
Amortization period	Solved for based on statutory rebates
Asset Valuation method	Fair Value
Actuarial assumptions:	
Investment rate of return	7.75% annual rate, net of expense
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25 % annual rate
Includes inflation at	3.00% annual rate

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

All Funds - Asset Class	Long-term Expected	
	Target Allocation	Real Rate of Return
US Equity	21.1%	5.00%
International Equity	24.8%	5.20%
Private Equity	7.0%	8.20%
Core and Global Fixed Income	26.1%	1.85%
Fixed Income Sectors	5.0%	4.80%
Real Estate	5.0%	5.30%
Real Assets	7.0%	5.70%
Absolute Return	<u>4.0%</u>	4.15%
Total	<u>100.0%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Carlsbad Soil and Water Conservation District's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Carlsbad Soil and Water Conservation District's employee's net pension liability in each PERA Fund Division that Carlsbad Soil and Water Conservation District participates in, under the current single rate assumption; as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease <u>6.75%</u>	Current Discount <u>Rate 7.75%</u>	1% Increase <u>8.75%</u>
Carlsbad SWCD proportionate share of the net pension liability	\$ 116,184	\$ 61,628	\$ 19,482

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at: <http://www.pera.state.nm.us/publications.html>.

B. RETIREE HEALTH CARE ACT CONTRIBUTIONS

The Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico. As authorized under Section 9D of Chapter 6, Laws of 1990, the District has elected not to participate in the program. Information on the Retiree Health Care Act can be obtained at the Retiree Health Care, 4308 Carlisle Blvd. NE Ste 104, Albuquerque, NM 87109.

C. 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.

D. Subsequent Accounting Pronouncements

Other accounting standards that Carlsbad Soil and Water Conservation District is currently reviewing for applicability and potential impact on the financial statements include:

GASB 72, Fair Value Measurement and Application, This Statement addresses accounting and financial reporting issues related to fair value measurements. This definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. 'This Statement will be effective for the year ended June 30, 2016.

GASB 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68, this Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. This Statement will be effective for the year endedjunc30, 2016.

GASB 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, 'This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPKB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. This

Statement will be effective for the year ended June 30, 2017.

GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, this Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by 1 employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPKB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans establishes new accounting and financial reporting requirements for OPKB plans. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPKB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPFB also are addressed. This Statement will be effective for the year ended June 30, 2018.

GASB 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ended June 30, 2016.

E. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period, and so will not be recognized as an outflow or resource (expenses/expenditures) until then. The Government has deferred outflows of resources related to pension funding, as discussed in Note 5.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The Government has two types of items, one of which arises under the full accrual basis of accounting and both of which arise under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item unavailable revenue, has reported in both the statement of net position and the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Government reports unavailable revenue from the following sources"

The District has no Deferred Outflows or Inflows other than that relation to pension plans.

F. EQUITY RESTATEMENT

The District restated its prior year Net position to record unrecorded pension liabilities in the amount \$83,219.

Other Supplemental Information

State of New Mexico
Carlsbad Soil and Water Conservation District
Schedule of the Proportionate Share of the Net Pension Liability
Of Fund Division – State General
Public Employees Retirement Association (PERA) Plan
June 30, 2015

	<u>2015</u>
Carlsbad SWCD portion of net pension liability (asset)	0.00790%
Carlsbad SWCD proportionate share of the net pension liability (asset)	\$ 61,628
Carlsbad SWCD covered-employee payroll	\$ 86,184
Carlsbad SWCD proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	72%
Plan fiduciary net position as a percentage of total pension liability	81.29%

**** The amounts presented were determined as of June 30, 2015. The Schedule is presented to illustrate the requirement to show information for 10 years. However, until all full 10 trend is compiled the Carlsbad Soil and Water Conservation District will present information for those years for information which is available.**

State of New Mexico
Carlsbad Soil and Water Conservation District
Schedule of Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Division – State General
June 30, 2015

	<u>2015</u>
Contractually required contribution	\$ 6,364
Contributions in relation to the contractually required contribution	<u>(6,364)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Carlsbad SWCD covered-employee payroll	\$ 86,184
Contributions as a percntage of covered payroll	7.38%

****This Schedule is presented to illustrate the requirement to show information for a full 10 years. However, until a full 10 year trend is complied the Carlsbad SWCD will present information for those years for information which is available.**

**State of New Mexico
Carlsbad Soil and Water Conservation District
Notes to Required Supplemental Information
June 30, 2015**

Changes in benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY 14 audit available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Changes in assumptions.

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuations June 30 2014 report is available at:

http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf

The Summary of Key findings for the PERA Fund (on page 2 of the report) states based on a recent experience study for the five year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to fund liabilities and an increase of .13% to the funded ratio. For details about changes in the actuarial assumptions see Appendix B on page 60 of the report.

**STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2015**

	Beginning Balance 6/30/2014	Additions	Deletions	Ending Balance 6/30/2015
Assets				
Cash	\$ 3,151	\$ -	\$ 54	\$ 3,097
Total Assets	\$ 3,151	\$ -	\$ 54	\$ 3,097
Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due To Other Agencies	3,151	-	54	3,097
Total Liabilities	\$ 3,151	\$ -	\$ 54	\$ 3,097

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, 2015**

Name of Agency Program	Grant ID #	CFDA #	Total Awards Expended
United States Department of Interior			
Bureau of Land Management:			
Noxious Weed Integrated Management Project	L11AC20145	15.231	\$ 196,193
Passed through the New Mexico Association of Conservation Districts:			
Restore New Mexico Program	L11AC20216	15.231	<u>592,322</u>
Total			<u>\$ 788,515</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.

**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

Tim Keller, 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 of Carlsbad Soil and Water Conservation District as of and for the year ended June 30, 2015, 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 16, 2015.

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.

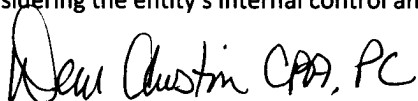
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies 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 16, 2015

**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

Tim Keller, 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, 2015. 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*, is-sued 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, 2015.

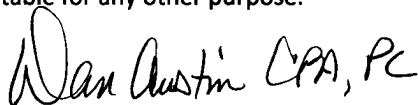
Report on Internal Control Over Compliance

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.

Handwritten signature of Dan Austin, CPA, PC.

November 16, 2015

**State of New Mexico
Carlsbad Soil and Water Conservation District
Schedule of Audit Findings and Questioned Costs
June 30, 2015**

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:

<u>CFDA Number</u>	<u>Federal Program</u>
15.231	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 and Questioned Costs
June 30, 2015

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 December 12, 2015, an exit conference was held at the District's administrative offices. Present were 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, 2015, was discussed as well as other financial reporting considerations.