

State of New Mexico
OFFICE OF THE STATE AUDITOR

STATE OF NEW MEXICO

CARLSBAD

SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2005

(With Independent Auditor's Report Thereon)



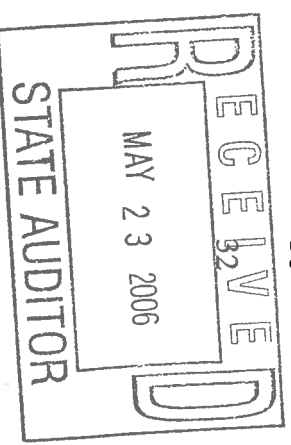
Domingo P. Martinez, CGFM
State Auditor

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STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT OF NEW MEXICO
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JUNE 30, 2005

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STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
Nathan Jurva	Chairperson
Max Vasquez	Vice-Chairperson
Ron Head	Secretary/Treasurer
James Walterscheid	Supervisor
William "Bill" Stanley	Supervisor
Ridley Gardner	Supervisor
Jimmie Cisneros	Supervisor
<u>District Personnel</u>	<u>Title</u>
William See	District Manager
Aaron Curbello	Assistant District Manager
Judy Bock	Assistant District Manager Trainee
Judith Ortego	Administrative Assistant



State of New Mexico

OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

Carl M. Baldwin, CPA, CFE
Deputy State Auditor

INDEPENDENT AUDITOR'S REPORT

Nathan Jurva, Chairperson
and Members of the Board of Supervisors
Carlsbad Soil & Water Conservation District
3219 S. Canal
Carlsbad, New Mexico 88220

We have audited the accompanying financial statements of the governmental activities, each major fund and the respective budgetary comparisons of the Carlsbad Soil and Water Conservation District (District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2005, and the respective changes in financial position, thereof and the budgetary comparisons for the major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis (MD&A) (pages 3-5) is not a required part of the basic financial statements but is supplementary information required by accounting

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principles generally accepted in the United States of America. We did not audit the information and express no opinion on it. However, we have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. As a result of such limited procedures, we believe that the MD&A, which was prepared by management of the District, does not include the required condensed financial information for assets, liabilities and net assets derived from the government-wide financial statements comparing current year to prior year and therefore is not in conformity with accounting principles generally accepted (GAAP) in the United States because the lack of that information is a material departure from GAAP.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 3, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The *Schedule of Changes in Assets and Liabilities* of the agency fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Office of the State Auditor

OFFICE OF THE STATE AUDITOR
March 3, 2006

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

The Carlsbad Soil and Water Conservation District's (SWCD) discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Carlsbad SWCD's financial activity, (c) identify changes in the Carlsbad SWCD's financial position, (d) identify any material deviations from the approved budget, and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in the Carlsbad SWCD's financial statements beginning on page six (6).

Financial Information

- 1) Total assets remained relatively the same with little to no change. The decrease in Notes Receivable was off set by the increase in cash balances.
- 2) Total liabilities, primarily long-term, decreased by 14 percent. This decrease is a result of the annual payment on the Re-loan note with the Interstate Streams Commission.
- 3) The prior year activities therefore resulted in little to no change to the total net assets.
- 4) Funds received through grants increased by 45 percent. This is attributed to the two federal assistance agreements that were put in place during the year.
- 5) General funds increased by 2 percent in mill levy, 38 percent in interest, and 4 percent in miscellaneous funding. The majority of the miscellaneous was a result of the re-loan account maintenance fees agreed to belong to the district.
- 6) Total revenues increased by 89 percent.
- 7) Program expenses in the vegetation management program decreased by 35 percent.
- 8) A new program was established for the assistance agreements (approximately \$61,648) pertaining to District Projects.
- 9) Building improvements (\$165,426) and capital outlay (increase of \$8,789) for the completion of the office remodeling attributed to an increase in expenditures.
- 10) Overall expenses increased by 109 percent.
- 11) The general fund reflected an increase of approximately \$60,000.
- 12) No contributions were made by the Carlsbad SWCD.
- 13) The special or extraordinary items encountered (i.e., assistance agreements and building improvements) are listed above.
- 14) The net assets were increased by approximately \$11,500.

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Analysis of Overall Financial Position and Results of Operations

The increase in grant funding was provided through an assistance agreement with the Bureau of Reclamation and the Bureau of Land Management. The funds through these agreements were put towards ground well monitoring, vegetation assessment, and noxious weed control. The \$155,000 in building remodel funds was provided through capital outlay requests by the legislation. A total of \$50,000 was assessed for management fees over the district re-loan program. This was done after direction from the Interstate Stream Commission that the funds belonged to the Carlsbad SWCD. A portion of these funds were used to complete the balance of the improvements to the building.

Analysis of Balances and Transactions of Individual Funds

A transfer of \$20,000 was made from the Western Commerce Bank operating account to the savings account at Pioneer Bank. The accounts were combined at Eddy Federal Credit Union and the account at Wells Fargo Bank for the re-loan program was closed out to Eddy Federal. When the \$50,000 was transferred to the district for administrative fees, these funds were put into a savings account at Eddy Federal and set up on the operating account. The checking account at Eddy Federal is used for the re-loan transactions.

Analysis of Significant Variations in Budget Amounts--General Fund

Funds	Year To Date	Approved Budget	% of Budget
Revenues:			
Grants	91,780	235,000	39
Interest Income	2,069	850	243
Mill Levy	200,901	200,000	100
Misc. Deposits	206,766	160,000	129
State Funding	9,775	9,000	109
Cash Balance	0	51,647	0
Total Revenue	511,291	656,497	78
Expenditures:			
Bond and Insurance	4,302	4,200	102
Building Payments	18,108	20,000	91
Building Improvements	165,426	192,000	86
Building Maintenance	3,083	5,000	62
Capital Outlay	20,107	27,500	73

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Community Projects	0	70,000	0
District Projects	61,648	125,000	49
Dues and Subscriptions	3,145	5,000	63
Eddy County Fair	1,534	1,300	118
Employee Salaries & Benefits	138,015	153,247	90
Information & Education	4,585	7,500	61
Mailing Expenses	730	1,000	73
Meeting Expenses	2,124	5,000	42
Miscellaneous	0	1,500	0
Per Diem	6,966	7,500	93
Supplies	8,058	7,500	107
Utilities	5,933	8,250	72
Vegetation Management	4,347	10,000	43
Vehicle Operation & Maintenance	2,798	5,000	56
Total Expenditures	450,909	656,497	69

The revenue portion of the Carlsbad SWCD's budget has a variation of approximately fifteen percent under budget. This is a result of the anticipation of federal funds being received through the assistance agreements and not being received until the next fiscal year.

The expenditures have a variation of approximately 31 percent under budget. This resulted from the under-spent funds in the district projects associated with the assistance agreements, community projects, meeting expenses, and vehicle operation and maintenance.

The special revenue fund was not budgeted. However, it had \$4,672 in loan receipts and disbursed \$3,144 for ISC loan payments.

Description of Significant Capital Asset and Long-Term Debt Activity

During Fiscal Year 2005 the Carlsbad SWCD completed the remodeling of the office building. They also purchased a new laptop and tablet computer for use in the field with the Non-Native Phreatophyte Management Program. Approximately 50 new chairs were purchased for the newly remodeled conference room. A balance of \$11,838 was transferred to New Mexico State University to pay for the balance of the architect fees for the building remodeling. There were no significant changes in the Carlsbad SWCD's long term debt.

Discussion on Infrastructure Assets – Not Applicable

STATE OF NEW MEXICO
 CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF NET ASSETS
 JUNE 30, 2005

	Governmental Activities
Assets	
Cash	\$ 288,195
Grants receivable	54,275
Property taxes receivable	-
Interest receivable	1,627
Restricted cash	31,166
Loans receivable	90,905
Capital assets, net	355,298
Total assets	<u>821,466</u>
Liabilities	
Accounts payable	3,998
Noncurrent liabilities	
Due within one year	23,752
Due in more than one year	91,304
Total liabilities	<u>119,054</u>
Net Assets	
Invested in capital assets, net of related debt	261,071
Restricted for:	
Conservation projects	-
NMFA Loan repayment	94,227
Restricted for ISC loan repayment	14,062
Unrestricted	333,052
Total net assets	<u>\$ 702,412</u>

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

STATE OF NEW MEXICO
 CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Exhibit 2

	Governmental Activities
Program Expenses:	
Conservation:	
Administrative expense	\$ 50,000
Bonding and insurance	4,350
Building maintenance	3,083
Building improvements	797
Community projects	61,648
Dues and subscriptions	3,145
Eddy County Fair	1,534
Salaries & benefits	142,697
Information & education	4,585
Mailing expense	730
Meeting expense	2,124
Miscellaneous	70
Per Diem	7,466
Supplies	8,058
Utilities	5,933
Vegetation management	4,347
Vehicle operation & maintenance	2,798
Depreciation	9,603
Interest	4,848
Total program expenses	317,816
Program Revenues:	
State operating grants and contracts	301,055
Charges for services	51,500
Miscellaneous	265
Total program revenues	352,820
Net program (expense) revenue	35,004
General Revenues:	
NMDA allotment	9,775
Property taxes	200,901
Interest	8,368
Total general revenues	219,044
Change in net assets	254,048
Net assets at beginning of year	448,364
Net assets at end of year	\$ 702,412

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

STATE OF NEW MEXICO
 CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2005

Exhibit 3

	General Fund	Major Fund	Total
Assets			
Cash	\$ 279,124	\$ 9,071	\$ 288,195
Grants receivable	54,275	-	54,275
Property taxes receivable	-	-	-
Interest receivable	-	1,627	1,627
Restricted cash	31,166	-	31,166
Loans receivable	-	90,905	90,905
Total assets and other debts	<u>\$ 364,565</u>	<u>\$ 101,603</u>	<u>\$ 466,168</u>
Liabilities and fund balance			
Liabilities:			
Accounts payable	\$ 3,998	\$ -	\$ 3,998
Accrued payroll	-	-	-
Due to NMISC	-	-	-
Due to NMFA	-	-	-
Total liabilities	<u>3,998</u>	<u>-</u>	<u>3,998</u>
Fund balance:			
Reserved for ISC loans	-	90,905	90,905
Unreserved, designated for subsequent year's expenditures	18,035	-	18,035
Unreserved, undesignated	342,532	10,698	353,230
Total fund balance	<u>360,567</u>	<u>101,603</u>	<u>462,170</u>
Total liabilities and fund balance	<u>\$ 364,565</u>	<u>\$ 101,603</u>	<u>\$ 466,168</u>

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

STATE OF NEW MEXICO
 CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2005

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 (Exhibit 3)	\$ 462,170
Capital assets, net of accumulated depreciation	355,298

Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:

Note payable - NMFA	(94,227)
Notes payable - ISC	(14,062)
Compensated absences	<u>(6,767)</u>

Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 702,412</u></u>
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The notes to the financial statement are an integral part of this statement

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, 2005

	Special		
	General Fund	Revenue Fund	
Revenues			
State allocation	\$ 9,775	\$ -	\$ 9,775
Property taxes	200,901	-	200,901
Grants and contracts - state sources	301,055	-	301,055
Interest	2,069	6,299	8,368
Administrative fees	51,500	-	51,500
Miscellaneous	266	-	266
Total revenues	<u>565,566</u>	<u>6,299</u>	<u>571,865</u>
Expenditures			
Conservation:			
Current:			
Administrative expense	-	50,070	50,070
Bonding and insurance	4,350	-	4,350
Building payment	796	-	796
Building maintenance	3,083	-	3,083
Building improvements	-	-	-
Community projects	61,648	-	61,648
Contract labor	-	-	-
Dues and subscriptions	3,145	-	3,145
Eddy County Fair	1,534	-	1,534
Salaries & benefits	141,465	-	141,465
Information & education	4,585	-	4,585
Mailing expense	730	-	730
Meeting expense	2,124	-	2,124
Miscellaneous	-	-	-
Per Diem	7,466	-	7,466
Supplies	8,058	-	8,058
Utilities	5,933	-	5,933
Vegetation management	4,347	-	4,347
Vehicle operation & maintenance	2,798	-	2,798
ISC loan payments & transfers	-	-	-
Capital outlay	184,737	-	184,737
Debt Service -			
Principal payments	13,679	2,724	16,403
Interest	4,429	420	4,849
Total expenditures	<u>454,907</u>	<u>53,214</u>	<u>508,121</u>
Net change in fund balance	110,659	(46,915)	63,744
Fund balance beginning of year	249,908	148,518	398,426
Fund balance end of year	<u>\$ 360,567</u>	<u>\$ 101,603</u>	<u>\$ 462,170</u>

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



Special Revenue Fund				Variance
Original Budget	Final Budget	Actual	(Unfavorable)	Favorable
\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	4,672	-	-
-	-	4,672	4,672	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,672</u>	<u>\$ 4,672</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	3,144	-	-
-	-	3,144	(3,144)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,144</u>	<u>\$ (3,144)</u>	<u>-</u>

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

STATE OF NEW MEXICO
 CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2005

	Agency Fund
Assets	
Cash	\$ 445,823
Total assets	\$ 445,823
Liabilities	
Liabilities:	
Due to other agencies	\$ 445,823
Total liabilities	\$ 445,823

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

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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 reporting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The District is required to implement GASB Statement No. 40, *Deposit and Investment Risk Disclosures* in fiscal year 2005. To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities,

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

which rely to a significant extent on fees and charges for support. However, the District does not have any business-type activities.

The statement of activities demonstrates the degree to which 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 such as administrative fees for loans, and 2) grants and contributions from state agencies and legislative appropriations 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. 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.

Property taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 which is a major 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.

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.

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

D. Assets, Liabilities, Net Assets and Fund Balance

1. Cash

The District's cash is considered to be demand deposits, savings accounts and a money market account.

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

2. Loans Receivable

The District has borrowed money from the Interstate Stream Commission (ISC) and in turn has loaned these funds to local ranchers who have done conservation projects on their properties.

The loans receivable balance is considered fully collectible since liens are held on borrower's properties, therefore, no uncollectible accounts had been established.

3. Restricted Assets

Certain proceeds, the reserve cash accounts with the Bank of Albuquerque for the loan with the New Mexico Finance Authority, are resources set aside for the repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable loan terms.

4. Capital Assets

Capital assets, which include property, equipment (including software), are reported in the governmental activities column in the government-wide financial statements. Capital assets, as defined by state law as assets with an initial cost of \$1,000 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. There is no infrastructure except for a parking lot classified as a building improvement. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized.

Property and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

Buildings	39 years
Vehicles	5 years
Office equipment	5 years
Light equipment	7 years
Computer equipment	5 years

5. Compensated Absences

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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 have matured, 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.

6. Loans Payable

The District has loans payable of \$115,056 as of June 30, 2005. A loan dated May 1, 2001 is payable to the New Mexico Finance Authority (NMFA). The original amount of the loan was \$144,000 which was used for a building project. Monthly payments are \$1,712 which includes principal, interest and administrative fee.

The District also has a loan dated September 10, 2001 which is payable to the Interstate Stream Commission. The original amount of the loan was \$49,000 which was used to make low interest loans to property owners for soil and conservation projects. Annual payments of \$3,144 are due through July 2009 with a final payment of \$2,532 due in 2010.

7. Net Assets and Fund Balance

Net assets as reported in Exhibit 1 are associated with general government assets and liabilities the government-wide financial statements. Net assets are restricted for amounts invested in capital assets (net of related debt) and restrictions for conservation projects and loan repayments.

Fund balance as reported in Exhibit 3 represents assets less liabilities of the governmental fund types. A portion of fund balance of the special revenue fund is reserved for loan repayments. There are no reservations of the general fund balance, although \$18,035 has been designated for payment of FY06 expenditures.

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

II. Stewardship, Compliance and Accountability

A. Budgetary Information

The budget is prepared on a basis that differs from accounting principles generally accepted in the United States of America (GAAP). GAAP basis revenues and expenditures include accrued amounts. The revenues and expenditures reported in the budgetary comparisons are generally recorded on the cash basis. The District uses the following procedures to establish the budgeted amounts reflected in the budgetary comparisons:

1. Prior to April 1, the Budget Committee submits to the District Board of Supervisors a proposed revenue and expenditure budget for the fiscal year beginning July 1.
2. The Board reviews the budget proposal and makes any necessary adjustments.
3. Prior to June 1, the Board approves the budget by passing a resolution.
4. Prior to June 20, the approved budget is submitted to the State of New Mexico, Department of Finance and Administration, Local Government Division (DFA-LGD) for approval by the first Monday of September. The Board receives notice of the approved budget.

The legal level at which actual expenditures may not exceed budgeted expenditures is at the total fund level. The Board can revise its budget with the approval of DFA-LGD. Encumbrance accounting is not utilized by the District.

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

B. Reconciliation of Non-GAAP Budgetary Basis to GAAP Financial Statements

	General Fund	Special Revenue Fund
Non-GAAP revenues (Exhibit 5)	\$ 511,291	\$ 4,672
Prior year receivables	-	-
Current year receivables	<u>54,275</u>	<u>1,627</u>
GAAP revenues (Exhibit 4)	<u>\$ 565,566</u>	<u>\$ 6,299</u>
Non-GAAP expenditures (Exhibit 5)	\$ 450,909	\$ 3,144
ISC loan administration fees	-	50,070
Current year accounts payable	3,998	-
Current year payroll accrual	-	-
GAAP expenditures (Exhibit 4)	<u>\$ 454,907</u>	<u>\$ 53,214</u>

III. Detailed Notes on all Funds

A. Cash

As of June 30, 2005, the District had a carrying amount of deposits of \$734,018. The bank balances for deposits were \$862,035. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$128,017. The total bank balance consisted of the following:

<u>Western Commerce Bank</u>	
Demand deposits	\$ 92,622
Less: FDIC coverage	<u>(92,622)</u>
Amount uninsured	<u>\$ -0-</u>
<u>Pioneer Bank</u>	
Money market	\$ 91,942
Less: FDIC coverage	<u>(91,942)</u>
Amount uninsured	<u>\$ -0-</u>

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Eddy Federal Credit Union

Demand deposits	\$ 59,104
Less: FDIC coverage	(59,104)
Amount uninsured	<u>\$ - 0 -</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 a deposit policy for custodial credit risk. Deposits at the Carlsbad National Bank were exposed to custodial credit risk in the amount of \$518,367. Of this amount, \$245,819 was uninsured and uncollateralized and \$272,548 was uninsured but collateralized not in the name of the District as follows:

Carlsbad National Bank

Demand deposits	\$ 618,367
Less: FDIC coverage	<u>(100,000)</u>
Amount uninsured	<u>518,367</u>
50% collateral requirement	259,814
Pledged security	<u>272,548</u>
Over (Under)	<u>\$ 12,734</u>

The pledged security consists of the following:

Description:	FNMA ARM Pool #535417
CUSIP #:	31384VYN6
Maturity:	5/01/2036
Location:	Federal Home Loan Bank of Dallas

B. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Description	Balance		Deletions	Balance
	30-Jun-04	Additions		
Governmental activities:				
Capital Assets not depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Capital Assets being depreciated:				
Building	\$ 140,246	177,264	\$ -	\$ 317,510
Vehicles	23,405	-	-	23,405
Equipment	55,398	7,473	-	62,871
Total capital assets being depreciated	<u>219,049</u>	<u>184,737</u>	<u>-</u>	<u>403,786</u>

Less accumulated depreciation for:

Building	\$ (9,256)	\$ (2,858)	\$ -	\$ (12,114)
Vehicles	(13,405)	-	-	(13,405)
Equipment	(36,224)	(6,745)	-	(42,969)
Total accumulated depreciation	<u>(58,885)</u>	<u>(9,603)</u>	<u>-</u>	<u>(68,488)</u>

Total capital assets being depreciated, net

160,164	175,134	-	335,298
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Total Capital Assets, net

<u>\$ 180,164</u>	<u>\$ 175,134</u>	<u>\$ -</u>	<u>\$ 355,298</u>
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Depreciation of the District is all charged to the conservation function.

C. Long-Term Debt

Notes Payable

On May 23, 2001, the District obtained a \$144,444 loan from the New Mexico Finance Authority to payoff and refinance the note payable at the Western Commerce Bank which was obtained to finance the purchase of the District's office building. Semi-annual principal, interest and administrative fee payments are due starting November 11, 2001. The following are the debt service requirements to maturity for this loan:

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Payment Due Date	Principal	Interest	Admin. Fee	Total
11/1/2005	\$ -	\$ 1,840	\$ 118	\$ 1,958
05/1/06	14,193	1,840	118	16,151
11/1/06	-	1,583	100	1,683
5/1/07	14,744	1,583	100	16,427
11/1/07	-	1,307	82	1,389
5/1/08	15,334	1,307	82	16,723
11/1/08	-	1,012	62	1,074
5/1/09	15,965	1,012	62	17,039
11/1/09	-	696	42	738
5/1/10	16,638	696	42	17,376
11/1/10	-	360	22	382
5/1/11	<u>17,353</u>	<u>360</u>	<u>22</u>	<u>17,735</u>
Total	<u>\$ 94,227</u>	<u>\$ 13,596</u>	<u>\$ 852</u>	<u>\$ 108,675</u>

The remaining notes payable balance consists of loan balances due the NMISC. Generally, the loans are repayable in annual installments over 20 years at the interest rate of two and one-half percent. As of June 30, 2005, the District has one outstanding loan with the NMISC:

The promissory note is dated September 10, 2001, the loan amount was \$49,000 and principal and interest payments of \$3,143 are due on July 1, 2004 and \$3,143 annually thereafter on July 1, 2004 through July 1, 2022.

Debt service requirements to maturity for this loan are as follows:

Payment Due Date	Principal	Interest	Total
07-01-06	\$ 2,792	\$ 351	\$ 3,143
07-01-07	2,861	282	3,143
07-01-08	2,933	210	3,143
07-01-09	3,006	137	3,143
07-01-10	<u>2,470</u>	<u>62</u>	<u>2,532</u>
Total	<u>\$ 14,062</u>	<u>\$ 1,042</u>	<u>\$ 15,104</u>

Changes in Long-term Liabilities

Long-term debt activity for the year ended June 30, 2005 was as follows:

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

	Balance 6/30/04	Increases	Decreases	Balance 6/30/05	Due Within One Year
Note payable					
NMISC	\$ 16,786	\$ -	\$ 2,724	\$ 14,062	\$ 2,792
Note payable NMFA	107,906	-	13,679	94,227	14,193
Compensated absences	5,534	6,885	5,652	6,767	6,767
Totals	<u>\$ 130,226</u>	<u>\$ 6,885</u>	<u>\$ 22,055</u>	<u>\$ 115,056</u>	<u>\$ 23,752</u>

Compensated absences are generally liquidated by the general fund.

IV. Other Information

A. Employee Retirement Benefits

Plan Description. Substantially all of the District's full time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides retirement, disability and survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy. Plan members are required to contribute 7% of their gross salary. The District is required to contribute 7% of the gross covered salary. The contribution requirements of plan members and the District are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the years ended June 30, 2005, 2004, and 2003 are \$6,373, \$5,444 and \$5,825 respectively, equal to the amount of required contributions each year.

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

B. Risk Management

The District is exposed to various risks of loss due to torts, theft or damage of assets, errors and omissions and natural disasters. The District's supervisors and employees are covered by an errors and omissions liability policy purchased by the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,050,000 for each wrongful act and \$1,050,000 for the policy aggregated. The District is required to obtain a corporate surety bond on behalf of persons responsible for District assets. The District currently maintains a \$100,000 surety bond as well as commercial property coverage. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

C. Related Party Transactions

The board approved a low interest loan to board member Max Vasquez. The loan outstanding on June 30, 2005 is \$12,462. The payment due dates were changed to October 1 of each year from May 1. The District had previously approved a low interest loan for board member Nathan Jurva, dba J & J Farms and the outstanding amount at the end of the year was \$12,949. The interest rate of the loan was comparable to a similar loan made in the current year to an unrelated party.

D. Joint Powers Agreement – Pecos River Salt Cedar Control Project

During the 2002 session, the New Mexico State Legislature appropriated \$2.5 million to the New Mexico Department of Agriculture to remove salt cedar from the Pecos River Basin. As a result of this appropriation, a joint powers agreement was established for this project. The terms of the agreement are summarized as follows:

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Date of agreement:	June 24, 2002
Participants:	New Mexico Association of Conservation Districts and the Carlsbad, Chaves, Central Valley, Hagerman-Dexter, DeBaca, Penasco, Guadalupe, Upper Hondo, and Tierra Y Montes Soil and Water Conservation Districts
Responsible party for operations:	Carlsbad Soil and Water Conservation District
Description:	Pecos River Salt Cedar Control Project
Beginning and ending Date of agreement:	July 1, 2002 to June 30, 2005
Total estimated amount:	\$4,366,666
Amount expended to date:	\$3,920,862
Audit responsibility:	New Mexico State University, New Mexico Department of Agriculture
Fiscal agent:	Carlsbad Soil and Water Conservation District
The government agency where revenues and expenditures are reported:	New Mexico State University

STATE OF NEW MEXICO
 CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND
 JUNE 30, 2005

	Beginning Balance 6/30/2004	Additions	Deletions	Ending Balance 6/30/2005
Assets				
Cash	\$ 46,520	\$ 1,267,155	\$ 867,852	\$ 445,823
Total assets	<u>\$ 46,520</u>	<u>\$ 1,267,155</u>	<u>\$ 867,852</u>	<u>\$ 445,823</u>
Liabilities				
Liabilities:				
Due to other agencies	\$ 46,520	\$ 1,267,155	\$ 867,852	\$ 445,823
Total liabilities	<u>\$ 46,520</u>	<u>\$ 1,267,155</u>	<u>\$ 867,852</u>	<u>\$ 445,823</u>

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



State of New Mexico

OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

Carl M. Baldwin, CPA, CFE
Deputy State Auditor

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*

Nathan Jurva, Chairperson
and Members of the Board of Supervisors
Carlsbad Soil & Water Conservation District
3219 S. Canal
Carlsbad, New Mexico 88220

We have audited the accompanying financial statements of the governmental activities, each major fund and the respective budgetary comparisons of the Carlsbad Soil and Water Conservation District (District) as of and for the year ended June 30, 2005 and have issued our report dated March 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items 05-1 and 05-2.

This report is intended solely for the information and use of management, the New Mexico Office of the State Auditor, the New Mexico State University - Department of Agriculture, the state legislature and grantors and is not intended to be and should not be used by anyone other than these specified parties.

Office of the State Auditor

OFFICE OF THE STATE AUDITOR

March 3, 2006

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

FINDINGS AND RECOMMENDATIONS
JUNE 30, 2005

STATUS OF PRIOR YEAR AUDIT FINDINGS

04-1 Propriety of Expenditures-Resolved

CURRENT YEAR AUDIT FINDINGS

05-1 Lack of Supporting Documentation

Condition

During our audit of the District's expenditures, we noted that \$78 of credit card charges did not have documentation for two purchases (\$49 & \$29) of gasoline.

Criteria

Good accounting practice and Section 6-5-8 NMSA 1978 requires that all expenditures of public money have documentation to support the purchase amount.

Effect

The District could pay for unauthorized purchases if a receipt detailing the purchase is not available to demonstrate propriety.

Cause

District personnel stated that the gasoline pump did not print a receipt at the time for the gasoline purchased.

Recommendation

We recommend that District personnel obtain receipts for all purchases when using the District's credit card. We also recommend the District review those receipts to ensure appropriate use.

District's Response

District management has directed employees to make every effort to obtain receipts, especially when the credit card is in use. If for some reason a receipt is unattainable, an affidavit will be completed and signed by the employee to verify the date, reason, and amount of the purchase.

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

FINDINGS AND RECOMMENDATIONS
JUNE 30, 2005

05-2 Lack of Approved Budget for Re-loan Fund

Condition

During our audit of the District's budget, we noted that for fiscal 2005, a budget for the Re-loan program was not submitted to DFA for approval. In past years, the fund had been budgeted.

Criteria

The Soil and Water Conservation Handbook and Section 6-6-2 NMSA 1978 require that an annual budget be submitted and approved by the Department of Finance and Administration for all the activities of the District.

Effect

The District could overlook an overpayment or underpayment if it is not reviewing the activity for reasonableness in a budget comparison.

Cause

The Assistant District Manager overlooked the item when submitting the fiscal 2005 since it was only one revenue item and one expenditure item.

Recommendation

We recommend that the District submit a budget for all its activities and comply with the Department of Finance and Administration regulations and its own policy manual.

District's Response

Due to a change in the format and development of the District's budget, the budget for the re-loan fund was not picked up for fiscal year 2005. This has been corrected and the line items for the re-loan fund will be included in the budget.

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

EXIT CONFERENCE
JUNE 30, 2005

Financial Statement Preparation

The accompanying financial statements were prepared by the Office of the State Auditor. However, the contents remain the responsibility of the District.

Exit Conference

On March 3, 2006, an exit conference was held at the District Office with the following persons in attendance:

Representing Carlsbad Soil & Water Conservation District:

Judy Bock, Assistant Manager
Judith Ortego, Administrative Assistant
Ron Head, Secretary/Treasurer

Representing the Office of the State Auditor:

Sanjay Bhakta, Audit Senior
Joyce Sandoval, Audit Supervisor