

STATE OF NEW MEXICO

CARLSBAD

SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2008

(With Independent Auditor's Report Thereon)



JOHNSON, MILLER & CO.

*Certified Public Accountants
A Professional Corporation*

An Independent Member of BDO Seidman Alliance

STATE OF NEW MEXICO

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STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

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STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
JUNE 30, 2008

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



JOHNSON, MILLER & CO.

Certified Public Accountants

A Professional Corporation

An Independent Member Of BDO Seidman Alliance

Hobbs, New Mexico

Midland, Texas

Odessa, Texas

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
The Office of Management and Budget and
Chairperson, Members of the Board of Supervisors
Carlsbad Soil & Water Conservation District
3219 S. Canal
Carlsbad, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund and the respective budgetary comparisons and the aggregate remaining fund information of the Carlsbad Soil and Water Conservation District (District) as of and for the year ended June 30, 2008, which collectively comprise the District's basis financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2008, and the respective changes in financial position, thereof and the budgetary comparisons for major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2008 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 opinions on the financial statements that collectively comprise the Carlsbad Soil and Water Conservation District's basic financial statements. The Schedule of Changes in Assets and Liabilities – Agency Fund is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Changes in Assets and Liabilities – Agency Fund has been subjected to

the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic, combining and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of each of the respective individual funds and the basic financial statements taken as a whole.

Johnson, Miller & Co.

Hobbs, New Mexico
December 5, 2008

STATE OF NEW MEXICO
CARLSBAS SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

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, 2008.

Financial Highlights

- The assets of the Carlsbad SWCD exceeded its liabilities at the close of the most recent fiscal year by \$928,554 (net assets). Of this amount \$354,408 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and cooperators.
- The District's total net assets decreased by \$202,216 and other liabilities increased by \$707,316. This represents the degree to which expenditures on ongoing projects increased in the current year.
- As of close of the current fiscal year, the Carlsbad SWCD's governmental funds reported an ending balance of \$598,679 , and a decrease of \$206,365 in comparison with the prior year. Of the ending balance \$288,850 is reserved, designated fund balance; \$117,209 is reserved for payments to the New Mexico Finance Authority and the Interstate Stream Commission against loan principal, \$47,443 is reserved for the ISC re-loan program and \$124,198 is reserved for conservation grants as designated in a written agreement. Approximately fifty-two percent of the ending total fund balance amount \$309,829 , is unreserved and may be used to meet the District's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$309,829 or 14 percent of total general fund expenditures.
- The Carlsbad SWCD's total debt decreased by \$25,010 during the current fiscal year. There was not any new activity in regards to long term financing.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Carlsbad SWCD's basic financial statements. The Carlsbad SWCD's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Carlsbad SWCD's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Carlsbad SWCD's assets and liabilities, with the difference between the two reported as net assets. Overtime, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Carlsbad SWCD is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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 they meet the needs of the local users of soil, water, and related natural resources.

The government-wide financial statements can be found on pages 9-10 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 outflow 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 11-14 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Carlsbad SWCD, assets exceeded liabilities by \$928,554 at the close of the most recent fiscal year.

A portion of the Carlsbad SWCD’s net assets reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets to provide services to citizens; Carlsbad SWCD uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Carlsbad SWCD’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Carlsbad Soil and Water Conservation District’s Net Assets

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Current and other assets	\$1,324,208	\$823,620
Capital assets	444,472	465,876
Total assets	1,768,680	1,289,496
Long-term liabilities outstanding	91,293	117,209
Other liabilities	748,833	41,517
Total liabilities	840,126	158,716
Net assets:		
Invested in capital assets, net of related debt	332,739	332,066
Restricted	241,407	514,718
Unrestricted	354,408	283,986
Total net assets	\$928,554	\$1,130,770

An additional portion of the Carlsbad SWCD’s net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$354,408 may be used to meet the District’s ongoing obligations to citizens and creditors.

During the current fiscal year, the District’s net assets decreased by \$202,216 and other liabilities increased by \$707,316. This is a result of additional expenditures related to projects executed by the District.

Governmental activities. Governmental activities decreased the Carlsbad SWCD's net assets by \$202,216 . Key elements of this decrease are as follows:

**Carlsbad Soil and Water Conservation District's
Changes in Net Assets**

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Revenues:		
Program revenues:		
Federal operating grants and contracts	\$1,199,360	\$986,717
State operating grants and contracts	322,297	449,838
Natural Fish and Wildlife Foundation	232,994	-
Charges for services	1,979	5,379
General Revenues:		
NMDA allotment	10,980	22,632
Property taxes	233,986	223,148
Interest	7,114	11,207
Total revenues	2,008,710	1,698,921
Program Expenses:		
Conservation:		
Administration	201,499	225,954
Conservation programs	1,988,023	988,685
Depreciation	21,404	20,704
Total Program Expenses	2,210,926	1,235,343
Change in net assets	(202,216)	463,578
Net assets – 7/1/2007	1,130,770	667,192
Net assets – 6/30/2008	\$928,554	\$1,130,770

- Increase in federal funding (\$212,643) is due to expansion of programs the District is involved with (i.e., Bureau of Land Management's Restore New Mexico, Bingaman Riparian Restoration, a New Mexico Environment Department 319 grant, and the New Mexico Interstate Streams Commission Land Management Program). The District also received \$232,994 in a new grant from the National Fish and Wildlife Foundation through a collaborative effort with the Bureau of Land Management.
- General funds decreased \$4,907. This change is due primarily to the decrease in the NMDA allotment.
- Conservation program expenses increased by \$999,338. This increase is a result of additional watershed improvement and community projects completed within the District.

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.

As of the end of the current fiscal year, the Carlsbad SWCD's governmental funds reported combined ending fund balances of \$598,679, a decrease of \$206,365 in comparison with the prior year. Approximately fifty-two percent of the combined ending fund balances, \$309,829 constitutes unreserved, undesignated fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for repayment of loans to the Interstate Stream Commission and New Mexico Finance Authority, the ISC Re-loan Program and conservation grants.

The fund balance of the Carlsbad SWCD's decrease during the current fiscal year is a result of the following key factor:

- Increased expenditures related to ongoing District projects.

Governmental Fund Budgetary Highlights

The original budget for the General Fund was amended to reflect additional grant revenues and expenses expected. The actual amount received was approximately \$225,000 less than the final budgeted amount and expenditures were almost \$625,000 lower based on the progress of the projects at year end.

Debt Administration

No additional loans were acquired during the year. Carlsbad SWCD continues to make required payments on debt incurred in prior years.

Economic Factors and Next Year's Budget

Property values, as set by the County Assessor's, have leveled out in the current market trends. With a shift in leadership at the federal level attention on conservation and restoration of natural resources may limit the federal funding available for projects implemented by the District. These factors were considered in preparation of the SWCD's budget for the fiscal year 2009.

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.

STATE OF NEW MEXICO
 CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF NET ASSETS
 June 30, 2008

Exhibit 1

Assets	<u>Governmental Activities</u>
Cash	\$ 1,090,182
Property taxes receivable	12,788
Grants receivable	133,669
Restricted cash	29,923
Restricted investments	14,483
Loans receivable	43,163
Capital assets, net	<u>444,472</u>
 Total assets	 <u>1,768,680</u>
 Liabilities	
Current liabilities:	
Accounts payable	719,783
Accrued payroll	1,553
Due within one year	25,916
Compensated absences	1,581
Noncurrent liabilities:	
Due in more than one year	<u>91,293</u>
 Total liabilities	 <u>840,126</u>
 Net Assets	
Invested in capital assets, net of related debt	332,739
Restricted for:	
NMFA Loan repayment	111,733
ISC loan repayment	5,476
Conservation grant purposes	124,198
Unrestricted	<u>354,408</u>
 Total net assets	 <u>\$ 928,554</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, 2008

Exhibit 2

	Governmental Activites
Program Expenses:	
Conservation:	
Administration	\$ 201,499
Conservation programs	1,988,023
Depreciation	21,404
Total program expenses	2,210,926
Program Revenues:	
Federal operating grants and contracts	1,199,360
State operating grants and contracts	322,297
Natural Fish and Wildlife Foundation	232,994
Charges for services	1,979
Total program revenues	1,756,630
Net program (expense) revenue	(454,296)
General Revenues:	
NMDA allotment	10,980
Property taxes	233,986
Interest	7,114
Total general revenues	252,080
Change in net assets	(202,216)
Net assets at beginning of year	1,130,770
Net assets at end of year	\$ 928,554

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, 2008

Exhibit 3

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Assets			
Cash	\$ 1,080,426	\$ 9,756	\$ 1,090,182
Property taxes receivable	12,788	-	12,788
Grants receivable	133,669	-	133,669
Restricted cash	29,923	-	29,923
Restricted investments	14,483	-	14,483
Loans receivable	-	43,163	43,163
Total assets	\$ 1,271,289	\$ 52,919	\$ 1,324,208
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 719,783	\$ -	\$ 719,783
Accrued payroll	1,553	-	1,553
Deferred revenue	4,193	-	4,193
Total liabilities	725,529	-	725,529
Fund balance:			
Reserved for ISC debt service	-	5,476	5,476
Reserved for ISC loans	-	47,443	47,443
Reserved for NMFA loan	111,733	-	111,733
Reserved for conservation grant purposes	124,198	-	124,198
Unreserved, undesignated	309,829	-	309,829
Total fund balance	545,760	52,919	598,679
Total liabilities and fund balance	\$ 1,271,289	\$ 52,919	\$ 1,324,208

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 - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2008

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)	\$ 598,679
Assets not available to pay for current year expenditures are deferred in the funds	4,193
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the governmental funds:	
Capital assets, net of accumulated depreciation	444,472
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Note payable -NMFA	(111,733)
Notes payable- ISC	(5,476)
Compensated absences	(1,581)
Rounding	<u>-</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 928,554</u></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 REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED
June 30, 2008

Exhibit 4

	General Fund	Special Revenue Fund	Total
Revenues			
State allocation	\$ 10,980	\$ -	\$ 10,980
Mill levy	234,439	-	234,439
Bureau of Reclamation - Federal operating grant	28,896	-	28,896
BLM - NMACD Restoration - Federal Operating grant	875,138	-	875,138
BLM - Federal operating grant	147,000	-	147,000
NMED 319 Grant - Federal operating grant	148,326	-	148,326
Salt Cedar - State operating grant	95,771	-	95,771
Avalon/Alacran Leg Funding - State operating grant	124,004	-	124,004
CIG Erosion Contron-State operating grant	24,929	-	24,929
Natural Fish & Wildlife Foundation	232,994	-	232,994
Miscellaneous - grant revenue	77,593	-	77,593
Restricted interest	2,187	-	2,187
Interest	4,927	1,979	6,906
	<u>2,007,184</u>	<u>1,979</u>	<u>2,009,163</u>
Total revenues			
Expenditures			
Current:			
Building maintenance	8,992	-	8,992
Community projects	146,634	-	146,634
Natural Fish and Wildlife Foundation	204,326	-	204,326
District projects	1,570,219	-	1,570,219
Vegetation management	49,128	-	49,128
Dues and subscriptions	4,200	-	4,200
Eddy County Fair	100	-	100
Salaries & benefits	138,840	-	138,840
Information & education	17,616	-	17,616
Mailing expense	941	-	941
Meeting expense	2,196	-	2,196
Per Diem	7,993	-	7,993
Supplies	13,571	-	13,571
Utilities	6,885	-	6,885
Insurance	4,885	-	4,885
Vehicle operation & maintenance	3,870	-	3,870
Administrative fees	-	5,000	5,000
Miscellaneous	-	78	78
Debt Service:			
Principal payments	22,077	2,933	25,010
Interest	4,834	210	5,044
	<u>2,207,307</u>	<u>8,221</u>	<u>2,215,528</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(200,123)</u>	<u>(6,242)</u>	<u>(206,365)</u>
Net change in fund balance	<u>(200,123)</u>	<u>(6,242)</u>	<u>(206,365)</u>
Fund balance beginning of year	<u>745,883</u>	<u>59,161</u>	<u>805,044</u>
Fund balance end of year	<u>\$ 545,760</u>	<u>\$ 52,919</u>	<u>\$ 598,679</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 STATEMENT OF ACTIVITIES TO THE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
JUNE 30, 2008

Net change in fund balance - Governmental Funds (Exhibit 4) \$ (206,365)

Amounts reported in the Statement of Activities are different because:

Property taxes not received within 60 days of year end are deferred in the Governmental Funds but recognized in the Statement of Activities. The increase for the deferred revenue not recorded on the balance sheet is: (453)

In the Statement of Activities, compensated absences are measured by the amounts earned during the year. However, in the governmental funds, expenditures for these items are measured by the amount of financial resources used (actually paid). The decrease for the liability not recorded in the balance sheet is: 997

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful life of the asset and reported as depreciation expense as follows:

Depreciation expense (21,404)

Repayment of principal on long-term debt (note payable) is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount repaid in the current year: 25,010

Rounding (1)

Change in net assets - Statement of Activities (Exhibit 2) \$ (202,216)

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 REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL AND SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General Fund				Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues								
State allocation	\$ 9,900	\$ 10,980	\$ 10,980	\$ -	\$ -	\$ -	\$ -	\$ -
Mill levy	220,000	235,620	235,622	2	-	-	-	-
Bureau of Reclamation - federal grant	-	33,800	30,766	(3,034)	-	-	-	-
BLM Assistance - federal grant	-	147,000	147,000	-	-	-	-	-
Bingaman Riparian Restoration - federal grant	-	55,350	-	(55,350)	-	-	-	-
NMED 319 Grant	247,950	155,500	155,496	-	-	-	-	-
Salt Cedar Grant	41,000	106,800	84,051	(22,749)	-	-	-	-
NMSU Cons Comm	-	4,389	-	(4,389)	-	-	-	-
Interest	6,000	4,925	7,114	2,189	-	-	1,979	1,979
BLM - NMACD Restoration - federal grant	500,000	790,000	793,051	3,051	-	-	-	-
Loan repayments	-	-	-	-	11,432	8,282	6,305	(1,977)
ISC Work	-	1,110	1,113	3	-	-	-	-
Leg Funding - Avalon/Macran	-	119,615	117,165	(2,450)	-	-	-	-
Natural Wildlife Foundation	-	232,995	232,994	(1)	-	-	-	-
CIG Erosion Control	-	10,650	5,985	(4,665)	-	-	-	-
Noxious Weed Control	-	46,690	46,684	(6)	-	-	-	-
Miscellaneous - grants	30,000	60,000	30,032	(29,968)	-	-	-	-
Total revenues	<u>1,054,850</u>	<u>2,015,424</u>	<u>\$ 1,898,053</u>	<u>\$ (224,285)</u>	<u>\$ 11,432</u>	<u>\$ 8,282</u>	<u>\$ 8,284</u>	<u>\$ 2</u>
Cash balance budgeted	1,686	106,914	-	-	-	-	-	-
Total revenues and cash balance budgeted	<u>\$ 1,056,536</u>	<u>\$ 2,122,338</u>						
Expenditures								
Current:								
Bonding and insurance	\$ 5,000	\$ 4,885	\$ 4,885	\$ -	\$ -	\$ -	\$ -	\$ -
Loan payment	27,000	27,000	26,911	89	-	-	-	-
Building maintenance	5,000	9,000	8,992	8	-	-	-	-
Community projects	40,000	135,595	120,750	14,845	-	-	-	-
Contractual Services	1,000	-	-	-	-	-	-	-
District projects	737,950	1,691,450	1,119,032	572,418	-	-	-	-
Dues and subscriptions	4,000	4,200	4,200	-	-	-	-	-
Eddy County Fair	500	100	100	-	-	-	-	-
Salaries & benefits	170,036	152,151	139,279	12,872	-	-	-	-
Information & education	15,000	16,840	17,616	(776)	-	-	-	-
Mailing expense	1,200	962	962	(0)	-	-	-	-
Meeting expense	3,000	3,000	2,196	804	-	-	-	-
Miscellaneous	-	-	-	-	-	-	78	(78)
Per Diem	9,000	8,475	8,008	467	-	-	-	-
Supplies	15,000	14,050	13,571	479	-	-	-	-
Utilities	7,850	7,850	6,885	965	-	-	-	-
Vegetation management	10,000	42,800	22,764	20,036	-	-	-	-
Vehicle operation & maintenance	5,000	3,980	3,750	230	-	-	-	-
ISC loan payments	-	-	-	-	3,143	3,143	3,143	-
ISC loan administrative fees	-	-	-	-	12,000	5,100	5,000	100
Total expenditures	<u>\$ 1,056,536</u>	<u>\$ 2,122,338</u>	<u>\$ 1,499,901</u>	<u>\$ 622,437</u>	<u>\$ 15,143</u>	<u>\$ 8,243</u>	<u>\$ 8,221</u>	<u>\$ 22</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 ASSETS AND LIABILITIES - AGENCY FUNDS
June 30, 2008

Exhibit 6

	<u>Agency Fund</u>
Assets	
Cash	<u>\$ 35,359</u>
Total assets	<u><u>\$ 35,359</u></u>
Liabilities	
Liabilities:	
Due to other agencies	<u>\$ 35,359</u>
Total liabilities	<u><u>\$ 35,359</u></u>

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, 2008

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* in fiscal year 2004. To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

B. Government-wide and Fund Financial Statements

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

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

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 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.

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

The District reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The special revenue fund is utilized to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The special revenue fund was set up to account for the District's Re-Loan Program. The District receives low interest loans from the New Mexico Interstate Stream Commission (NMISC) to lend landowners in the District funds at low interest rates for projects to conserve irrigation water on their property.

The agency fund is used to hold revenues received from the New Mexico State University on behalf of soil and water conservation districts participating in the Pecos River Salt Cedar Control Project. Agency funds are custodial in nature (assets equal liabilities), do not present results of operations and are accounted for using the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity, if applicable, has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided such as grant administration fees and interest charged to land owners on loans for conservation projects, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment such as the Bureau of Reclamation (BOR) grant, Bureau of Land Management (BLM) grants, Bingaman Riparian Restoration grant and various state and federal grants. Internally designated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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

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

1. Cash, cash equivalent and investments

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

The District's cash and cash equivalents consist of demand deposits, money market accounts and time deposits. State statutes authorize the District to invest in obligations of the U.S. Treasury, repurchase agreements, and certificates of deposit. Investments for the government, if applicable, are reported at fair value.

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. All amounts are expected to be repaid within one year.

The loans receivable balance is considered fully collectible therefore no allowance for uncollectible accounts had been established.

Property taxes attach an enforceable lien as of January 1. Taxes are payable in equal semi-annual installments on November 10 and April 10 of the subsequent year. The taxes become delinquent thirty days after the due date. The taxes are collected by the Eddy County Treasurer and are remitted to the District in the month following collection.

The District's accounts payable consist of amounts due to vendors and service providers such as subcontractors who have worked on conservation projects for the products purchased and service received in the current year but are paid for in the next fiscal year.

3. Net Assets and Fund Balance

The difference between the District's assets and liabilities is its net assets. The District's net assets consist of three components -- invested in capital assets net of related debt, which is the cost of capital assets, net of accumulated depreciation, unrestricted net assets, and restricted net assets - wherein the constraints are placed on net asset use either by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. As reported in Exhibit 1, the District's net assets as of June 30, 2008 consist of \$332,739 invested in capital assets, \$111,733 is restricted for NMFA loan repayment, \$5,476 is restricted for ISC loan repayment, \$124,198 is reserved for conservation grants and the remaining net assets of \$354,408 are unrestricted.

In fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation and/or are legally restricted by outside parties for use for a specific purpose. As reported in Exhibit 3, the fund balance in Special Revenue Fund pertains to Interstate Stream Fund which is reserved for debt service and re-loans to land owners in the amounts of \$5,476 and \$47,443 respectively. In the General

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Fund, \$111,733 is reserved for the NMFA loan, \$124,198 is reserved for conservation grants and the rest of the fund balance \$309,829 is unreserved. Fund balance designations may be established to indicate tentative plans for financial resource utilization in a future period. The District uses available cash resources to balance the subsequent year budget.

4. Capital Assets

Capital assets, which include property, equipment (including software), and (list other items as applicable) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by state law as assets with an initial cost of \$5,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized.

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

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

5. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide financial statements. A current liability for these amounts is reported in the governmental funds only if they are due and payable at year end, for example, as a result of resignations and retirements.

According to District policy, employees accrue leave at 3.08 hours per pay period if employed less than two years, increasing to 3.69 hours for 3 to 5 years, then to 4.62 hours for less than ten years, 5.54 hours for less than 15 years, 6.46 hours for less than 20 years, and 7.69 hours for 21 or more years. Employees may not carry more than 120 hours forward from one calendar year to the next.

II. Stewardship, Compliance and Accountability

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

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, 2008

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

	General Fund	Special Revenue Fund
Non-GAAP revenues (Exhibit 5)	\$ 1,898,053	\$ 8,284
Less prior year receivables	(37,779)	
Current year receivables	146,457	
Less prior year loans receivables		(49,468)
Current year loans receivables	4,646	43,163
Current year deferred revenue	(4,193)	
GAAP revenues (Exhibit 4)	\$ 2,007,184	\$ 1,979
Non-GAAP expenditures (Exhibit 5)	\$ 1,499,901	\$ 8,221
Less prior year payables and accruals	(13,930)	
Current year payables	721,336	
GAAP expenditures (Exhibit 4)	\$ 2,207,307	\$ 8,221

III. Detailed Notes on all Funds

A. Cash

As of June 30, 2008, the District had a carrying amount of deposits of \$1,155,462 of which \$27,680 is held by and restricted to the repayment of New Mexico Finance Authority debt. The balances on deposit were \$1,356,583. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$203,364 and outstanding deposits of \$2,243. The total bank balance consisted of the following:

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Western Commerce Bank:

Demand deposits	\$ 954,521
Less: FDIC coverage	(100,000)
Collateralization	<u>\$ 854,521</u>
50% Collateral Required	\$ 427,261
Pledge Securities	2,297,803
Excess Collateralization	<u>\$ (1,870,542)</u>

Eddy Federal Credit Union:

Demand deposits	\$ 14,755
Less: FDIC coverage	(14,755)
Amount uninsured	<u>\$ -</u>

Eddy Federal Credit Union:

Time deposits	\$ 77,638
Less: FDIC coverage	(77,638)
Amount uninsured	<u>\$ -</u>

Carlsbad National Bank:

Time deposits	\$ 73,817
Less: FDIC coverage	(73,817)
Amount uninsured	<u>\$ -</u>

Pioneer Bank:

Money Market Account	\$ 97,182
Less: FDIC coverage	(97,182)
Amount uninsured	<u>\$ -</u>

Carlsbad National Bank:

Demand deposits	\$ 110,991
Less: FDIC coverage	(100,000)
Collateralization	<u>\$ 10,991</u>
50% Collateral Required	\$ 5,496
Pledge Securities	144,581
Excess Collateralization	<u>\$ (139,085)</u>

New Mexico Finance Authority

Money Market Account	\$ 27,680
Less: FDIC coverage	(27,680)
Amount uninsured	<u>\$ -</u>

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk.

The demand deposits at the Carlsbad National bank were exposed to custodial credit risk in the amount of \$5,496 which was due to uninsured deposits that were not collateralized in the name of the District as follows:

Description:	FNMA ARM Pool #535417
CUSIP #:	31384VYN6
Maturity:	5/01/2036
Location:	Federal Home Loan Bank of Dallas
Par value:	\$143,729
Fair market value:	\$144,581

The demand deposits at the Western Commerce bank were exposed to custodial credit risk in the amount of \$427,261 which was due to uninsured deposits that were not collateralized in the name of the District, all of which are held at the Federal Home Loan Bank of Dallas, as follows:

Description	CUSIP#	Maturity	Par Value	Fair Market Value
GNMA	8833	3/20/2006	134,897	\$ 137,165
GNMA	8580	1/20/2025	25,568	25,996
GNMA	80113	9/20/2027	18,211	18,452
GNMA	80045	2/20/2027	20,843	15,939
GNMA	80493	2/20/1931	137,259	100,294
GNMA	2689	12/20/2028	110,307	94,967
GNMA	80416	6/20/1930	32,493	20,366
GNMA	80136	11/20/2027	40,058	33,049
FNMA	888407	9/1/2036	1,940,527	<u>1,851,574</u>
Total Fair Market Value				<u>\$ 2,297,803</u>

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

B. Investments

The District has implemented GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments." This statement requires that certain investments as defined in GASB Statement No. 31 to be valued at fair value. Fair value is based on quoted market prices as of the valuation date. The change in fair value is recognized as a component of investment income in the current year.

As of June 30, 2008, the District had a carrying amount of restricted investments of \$14,483.

The restricted investments consist of:

<u>Bank of Albuquerque:</u>		
U.S. Treasury securities	\$	<u>14,483</u>

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2008, the \$14,483 in restricted investments are held by the investments' counterparties, not in the name of the District. The District has no policy with respect to how much of its investments may be held by a given counterparty.

Interest Rate Risk. For investment, interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits the District's investments to bonds or negotiable securities of the United States, the State of New Mexico, or a county, municipality or school districts that meet certain criteria and securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States, or are backed by the full faith and credit of the United States government. The district has no investment policy that would further limit its investment choices.

Concentration of Credit Risk. The District places no limit on the amount the District may invest in any one issuer. All of the restricted investments reported in the District's General Fund are in a fund that consists of U. S. Treasury Securities.

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

C. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

Description	Balance 06/30/07	Additions	Deletions	Balance 06/30/08
Capital Assets not Depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Capital Assets being Depreciated:				
Buildings	425,024	-	-	425,024
Vehicles	40,680	-	-	40,680
Equipment	66,378	-	-	66,378
Total Capital Assets Depreciated	532,082	-	-	532,082
Accumulated Depreciation:				
Building	27,626	10,284	-	37,910
Vehicles	14,594	4,289	-	18,883
Equipment	43,986	6,831	-	50,817
Total Accumulated Depreciation	86,206	21,404	-	107,610
Net Total Capital Assets Depreciated	445,876	21,404	-	424,472
Net Total Capital Assets	\$ 465,876	\$ 21,404	\$ -	\$ 444,472

Depreciation of the District is all charged to the conservation function.

D. 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, 2008

Year	Principal	Interest	Total
2009	\$ 15,965	\$ 2,023	\$ 17,988
2010	16,638	1,392	18,030
2011	<u>17,353</u>	<u>720</u>	<u>18,073</u>
Total	<u>\$ 49,956</u>	<u>\$ 4,135</u>	<u>\$ 54,091</u>

The second 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, 2008, 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 was due on July 1, 2004 and \$3,143 annually thereafter on July 1, 2004 through July 1, 2010.

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

Year	Principal	Interest	Total
2009	\$ 3,006	\$ 137	\$ 3,143
2010	<u>2,470</u>	<u>62</u>	<u>2,532</u>
	<u>\$ 5,476</u>	<u>\$ 199</u>	<u>\$ 5,675</u>

On April 14, 2006, the District obtained a \$75,000 loan from the New Mexico Finance Authority which was obtained to finance the purchase of the District's construction and equipment. Monthly principal, interest and administrative fee payments are due starting June 1, 2006.

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

The following are the debt service requirements to maturity for this loan:

Year	Principal	Interest	Total
2009	\$ 6,945	\$ 1,699	\$ 8,644
2010	7,154	1,508	8,662
2011	7,370	1,311	8,681
2012	7,591	1,108	8,699
2013	7,819	900	8,719
2014-2016	<u>24,898</u>	<u>1,383</u>	<u>26,281</u>
	<u>\$ 61,777</u>	<u>\$ 7,909</u>	<u>\$ 69,686</u>

Changes in Long-term Liabilities

Long-term debt activity for the year ended June 30, 2008 was as follows:

Description	Balance 06/30/07	Additons	Deletions	Balance 06/30/08	Principal due within 1 year
Note Payable NMISC	\$ 8,409	\$ -	\$ 2,933	\$ 5,476	\$ 3,006
Note Payable NMFA	65,290	-	15,334	49,956	15,965
Note Payable NMFA	68,520	-	6,743	61,777	6,945
Compensated Absences	<u>2,578</u>	<u>3,201</u>	<u>4,198</u>	<u>1,581</u>	<u>1,581</u>
	<u>\$ 144,797</u>	<u>\$ 3,201</u>	<u>\$ 29,208</u>	<u>\$ 118,790</u>	<u>\$ 27,497</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 Employee Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

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, 2008, 2007, and 2006 are \$6,509, \$6,697 and \$7,547 respectively, equal to the amount of required contributions each year.

B. Risk Management

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

C. Related Party Transactions

There was one related party transaction for the fiscal year ended June 30, 2008. No additional loans were approved by the Board of Supervisors. A loan previously approved by the Board for Nathan Jurva (J & J Farms) had an outstanding balance at the end of the year of \$8,562. The interest rate of 4% is the same applied to loans made to non-related parties in prior fiscal years.

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

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

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
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Date of agreement:	June 24, 2002
Participants:	New Mexico Association of Conservation Districts and the Carlsbad, Chaves, Central Valley, Hagerman-Dexter, DeBaca, Penasco, Guadalupe, Upper Hondo, and Tierra Y Montes Soil and Water Conservation Districts
Responsible party for operations:	Carlsbad Soil and Water Conservation District
Description:	Pecos River Salt Cedar Control Project
Beginning and ending Date of agreement:	Original agreement: July 1, 2002 to June 30, 2004 Extension of original agreement (with some revision): July 1, 2004 until the funding or resources cease.
Total estimated amount:	\$4,506,666
Amount expended to date:	\$5,305,256
Audit responsibility:	New Mexico State University, New Mexico Department of Agriculture
Fiscal agent:	Carlsbad Soil and Water Conservation District
The government agency where revenues and expenditures are reported:	New Mexico State University

E. Joint Powers Agreement – Penasco River Improvement Project Vegetation Management Project

The New Mexico Environment Department, authorized to receive and expend funds for purposes consistent with the Water Quality Act and funded in part by an Assistance Agreement with the United States Environmental Protection Agency, entered into a joint powers agreement with the district to complete the project described below:

Date of agreement:	August 16, 2006
Participants:	New Mexico Environment Department and Carlsbad Soil and Water Conservation District
Responsible party for operations:	Carlsbad Soil and Water Conservation District
Description:	Penasco River Improvement Project Vegetation Management
Beginning and ending Date of agreement:	August 16, 2006 through December 31, 2008.
Total estimated amount:	\$366,250
Amount expended to date:	\$37,691
Audit responsibility:	New Mexico Environment Department

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

The government agency where revenues and expenditures are reported:	New Mexico State University
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STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2008

	Beginning Balance 6/30/2007	Additions	Deletions	Ending Balance 6/30/2008
Assets				
Cash	\$ 242,557	\$ 240,541	\$ 447,739	\$ 35,359
Total assets	<u>\$ 242,557</u>	<u>\$ 240,541</u>	<u>\$ 447,739</u>	<u>\$ 35,359</u>
Liabilities				
Liabilities:				
Accounts payable	\$ 11,027	\$ -	\$ 11,027	\$ -
Due to other agencies	231,530	240,541	436,712	35,359
Total liabilities	<u>\$ 242,557</u>	<u>\$ 240,541</u>	<u>\$ 447,739</u>	<u>\$ 35,359</u>

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

CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2008

NAME OF AGENCY/PROGRAM	GRANT ID#	CFDA NO	TOTAL AWARDS EXPENDED
United States Department of the Interior Noxious Weed Integrated Management Project	GDA040035	15.230	\$ 133,705
United States Department of the Interior Restore New Mexico Program	GDA070006	15.231	493,492 (1)
United States Department of the Interior Pecos River Saltcedar Management Demonstration Project	06-FC-40-2537	15.517	25,004
United States Department of Agriculture Bingaman Riparian Funds	68-8C30-05-983	10.902	84,164
United States Environmental Protection Agency Nonpoint Source Implementation Grants	C9-99610112	66.460	158,225
			\$ 894,590

(1) Major Program

(2) This schedule is prepared on the cash basis.

The accompanying notes are an integral part of these financial statements.



JOHNSON, MILLER & CO.
Certified Public Accountants
A Professional Corporation

An Independent Member Of BDO Seidman Alliance

Hobbs, New Mexico
Midland, Texas
Odessa, Texas

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
Chairperson, Members of the Board of Supervisors
Carlsbad Soil & Water Conservation District
3219 S. Canal
Carlsbad, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds of the Carlsbad Soil and Water District (the District), as of and for the year ended June 30, 2008, and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control. We consider the deficiencies described at 07-01 and 07-03 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
Chairperson, Members of the Board of Supervisors
Carlsbad Soil & Water Conservation District
3219 S. Canal
Carlsbad, New Mexico

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not a material weakness.

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 grants 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*.

The agency's questioned costs to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the agency, the New Mexico State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Johnson, Miller & Co.

Hobbs, New Mexico
December 5, 2008



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Midland, Texas

Odessa, Texas

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

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
Chairperson, Members of the Board of Supervisors
Carlsbad Soil & Water Conservation District
3219 S. Canal
Carlsbad, New Mexico

Compliance

We have audited the compliance of Carlsbad Soil and Water District (the District) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of 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 the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB A-133 and are described in the accompanying schedule as items 07-04 and 07-05.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
Chairperson, Members of the Board of Supervisors
Carlsbad Soil & Water Conservation District
3219 S. Canal
Carlsbad, New Mexico

A control deficiency 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described at 07-04 and 07-05 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over compliance.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the deficiency described at 07-04 in the accompanying schedule of findings and questioned costs to be a deficiency in internal control over compliance that we consider to be material weaknesses as defined above.

The agency's questioned costs to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the Board of Supervisors, management, others within the agency, the New Mexico State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Johnson, Miller & Co.

Hobbs, New Mexico
December 5, 2008

**Schedule of Findings and Questioned Costs
Summary of Auditors' Results
June 30, 2008**

<u>ITEM</u>	<u>DESCRIPTION</u>
Type of report on financial statements	Unqualified opinion
Other matters	None
Significant Deficiencies in Internal Control	Two
Material Weaknesses in Internal Control	None
Noncompliance Material to the Financial Statements	The level of noncompliance was not material in relation to financial statements covering federal programs.
Significant Deficiencies in Internal Control over Major Programs	One
Material Weaknesses in Internal Control over Major Programs	One
Type of Report on Compliance with Major Programs	Unqualified opinion
Audit Findings Required to be Reported under 510(a) of Circular A-133	Two
Findings and Questioned Costs for Federal Awards	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low Risk Auditee Statements	The District is not a low risk Auditee.
Major Federal program	United States Department of the Interior Restore New Mexico Program
Pass Through Entity	New Mexico Association of Conservation Districts

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

07-01 Preparation of Financial Statements

Condition

The financial statements and related disclosures are not being prepared by the District.

Criteria

The District's system of internal control should include controls over financial statement preparation, including footnote disclosure.

Effect

Insufficient controls over the preparation of financial statements and related disclosures limits the District's ability to prevent or detect a misstatement in its financial statements.

Cause

The District does not have the personnel or time to prepare the financial statements and related disclosures.

Recommendation

We recommend the District's management and personnel receive training on financial reporting.

District's Response

At this time the District is restricted by the limited number of employees with the large amount of projects that are ongoing. The Board of Supervisors' allow the employees to attend training as time allows, but do not have the administrative funds for an employee to be fully trained in governmental accounting.

07-03 Recording the Cash Accounts of the District

Condition

The District did not record the Cash Account or interest earned in the restricted cash account held by the New Mexico Finance Authority (NMFA).

Criteria

The accounting records of the District should reflect all the assets and earnings of the District.

Effect

The resources and interest earnings of the District were underreported.

Cause

The District recorded the funds sent to NMFA on a monthly basis as debt service expenditures rather than the transfer of funds which earned interest in the restricted cash account until the annual debt payment was made.

Recommendation

We recommend the record the activity of the restricted cash account on a monthly basis and reconcile that activity to the statements from NMFA.

District's Response

The District employees were not fully educated in how to understand the NMFA monthly statements until the audit was performed this year. After becoming aware of how to fully understand the NMFA monthly statements, the financials will be correct to reflect the NMFA Cash Account and adjustments to record the interest earned in the restricted cash account will be performed monthly.

Federal Awards Findings

07-04 Sealed Bid Process

Condition

The District did not follow the procurement policy of the State of New Mexico which the District has adopted as its own. In a sample of 17 grant disbursements totaling \$371,202 for the District's major program, Restore New Mexico Program, 12 payments were made to three vendors totaling \$227,115. These disbursements were made in the fall of 2007. Two disbursements for the same project in the spring of 2008 did follow procurement code after a RFP and contracts were signed in December 2007.

Criteria

Projects expected to exceed \$20,000 should follow the procurement code of the State described at NMAC 13-1-28 which the District has adopted.

Effect

The District is not in compliance with the procurement code.

Cause

The District, in attempting to obtain fair and equitable prices, engaged the services of three separate vendors for materially equal cost to perform required work. The District did publish an RFP and obtain contracts for work performed in the Spring.

Recommendation

Follow the procurement policies adopted by the Board of Supervisors and utilize a sealed bid process for projects expected to exceed \$20,000.

District's Response

After a District employee attended a procurement workshop, it was realized that the process for the Restore New Mexico Program had not been followed correctly. The procurement code was followed for the next allotment of funding.

07-05 Program Income

Condition

The district received federal funds in advance of their disbursement. The funds were deposited with those of the District into interest bearing accounts. The earnings from the federal funds were not tracked or remitted to the Treasury as required for federal grant funds.

Criteria

If federal funds are held in interest bearing accounts, the interest earnings are required to be returned to the Treasury.

Effect

The District is not in compliance

Cause

The District was unaware of the requirement to remit earnings on federal funds

Recommendation

Segregate or track the earnings on federal funds and return those funds to the Treasury.

District's Response

After District employee's attended a grant management workshop, they learned that advanced federal funds needed to be segregated and not in an interest bearing bank account. This was addressed by the Board of Supervisors and corrected.

SCHEDULE OF STATUS OF PRIOR FINDINGS

STATUS OF PRIOR YEAR AUDIT FINDINGS

- 06-3 Over Expended Budget – Resolved
- 07-1 Preparation of Financial Statements – Repeated
- 07-2 Late Audit Report – Resolved
- 07-3 Recording the Cash Accounts of the District – Repeated
- 07-4 Sealed Bid Process – Repeated
- 07-5 Program Income – Repeated
- 07-6 Data Collection Form - Resolved

FINANCIAL STATEMENT PRESENTATION

The financial statements were prepared from the original books and records of Carlsbad Soil & Water Conservation District as of June 30, 2008 by Johnson, Miller & Co., Certified Public Accountants, A Professional Corporation.

OTHER DISCLOSURES
Year Ended June 30, 2008

EXIT CONFERENCE

The contents of this report and its schedules were discussed on December 3, 2008. The following persons were in attendance.

District Officials

Ron Head, Secretary/Treasurer

Judy Bock, District Manager

Auditors

Mary Hinds, CPA