

**STATE OF NEW MEXICO**

**Canadian River**

**SOIL AND WATER CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS**

**Fiscal Year Ended June 30, 2006**

**(With Independent Auditor's Report Thereon)**

STATE OF NEW MEXICO  
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

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JUNE 30, 2006

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STATE OF NEW MEXICO  
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER  
JUNE 30, 2006

<u>Board of Supervisors</u>	<u>Position</u>
Tommy Wallace	Chairperson
Larry F. Perkins	Vice-Chairperson
Glenn Briscoe	Secretary
Robert D. Bruce	Supervisor
Katie Whitson	Supervisor
<u>District Personnel</u>	<u>Title</u>
Jessica Wallace	District Clerk



## **OFFICE OF THE STATE AUDITOR**

**Hector H. Balderas**

### INDEPENDENT AUDITOR'S REPORT

Mr. Tommy Wallace, Chairperson  
and Members of the Board of Supervisors  
Canadian River Soil and Water Conservation District  
706 South 1<sup>st</sup> Box 8  
Tucumcari, New Mexico 88401

We have audited the accompanying financial statements of the governmental activities, the general fund, the respective budgetary comparison, and the aggregate remaining fund information of the Canadian River Soil and Water Conservation District (District) as of and for the year ended June 30, 2006, 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, the general fund, and the aggregate remaining fund information of the District as of June 30, 2006, and the respective changes in financial position, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented the Management's Discussion and Analysis required by *GASB Statement No. 34* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 27, 2007 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 Canadian River Soil and Water Conservation District's basic financial statements. The schedule of changes in assets and liabilities – agency funds 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 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  
April 27, 2007

STATE OF NEW MEXICO  
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

Exhibit 1

	<u>Governmental Activities</u>
<b>Assets</b>	
Petty Cash	\$ 67,730
Cash and Cash Equivalents	90
Interest receivable	192
Capital assets, net	<u>1,188</u>
Total assets	<u>69,200</u>
<b>Liabilities</b>	
Accounts payable	<u>890</u>
Total liabilities	<u>890</u>
<b>Net Assets</b>	
Invested in capital assets	1,188
Unrestricted	<u>67,122</u>
Total net assets	<u><u>\$ 68,310</u></u>

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

STATE OF NEW MEXICO  
 CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF ACTIVITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Exhibit 2

	Governmental Activities
<b>Program Expenses:</b>	
Conservation:	
Mileage/Per Diem	\$ 2,370
Dues	1,490
Office supplies	217
Postage	277
Clerk's salary	6,908
Employee benefits	3,408
Payroll taxes	30
Registration fees	790
Information/Education/Promotions	679
Awards/Special events	700
Governmental gross receipts tax	923
Tree, drip & weed barrier expenses	18,098
Grass drill expenses	508
Election expenses	92
Fidelity bond	131
Project expenses	897
Depreciation	1,188
Total program expenses	38,706
<b>Program Revenues:</b>	
Charges for Services - Tree, Drip & Weed Barrier Sales	34,478
Operating Grant - Keep NM Beautiful	471
Total program revenues	34,949
Net program (expense) revenue	(3,757)
<b>General Revenues:</b>	
NMDA allocation	9,944
Interest	1,795
Total general revenues	11,739
Change in net assets	7,982
Net assets at beginning of year	60,328
Net assets at end of year	\$ 68,310

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

STATE OF NEW MEXICO  
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2006

Exhibit 3

	<u>General Fund</u>
<b>Assets</b>	
Petty Cash	\$ 90
Cash and Cash Equivalents	67,730
Interest receivable	<u>192</u>
Total assets	<u>\$ 68,012</u>
<b>Liabilities and fund balance</b>	
Liabilities:	
Accounts payable	<u>\$ 890</u>
Total liabilities	<u>890</u>
Fund balance:	
Unreserved, undesignated	<u>67,122</u>
Total fund balance	<u>67,122</u>
Total liabilities and fund balance	<u>\$ 68,012</u>

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



STATE OF NEW MEXICO  
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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)	\$ 67,122
Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds	
Capital assets, net of accumulated depreciation	<u>1,188</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u>\$ 68,310</u>

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

STATE OF NEW MEXICO  
 CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Exhibit 4

	<u>General Fund</u>
<b>Revenues</b>	
Tree, Drip & Weed Barrier Sales	\$ 28,330
CRRRP administration fees	4,180
Rental-Grass Drill	1,967
Interest Income	1,795
NMDA allotment	9,944
Donations	-
Operating Grant - Keep NM Beautiful	471
 Total revenues	 46,687
<b>Expenditures</b>	
Conservation:	
Current:	
Mileage/Per Diem	2,370
Dues	1,490
Office supplies	217
Postage	277
Clerk's salary	6,908
Employee benefits	3,408
Payroll taxes	30
Registration fees	790
Information/Education/Promotions	679
Awards/Special events	700
Governmental gross receipts tax	923
Tree, drip & weed barrier expenses	18,098
Grass drill expenses	508
Election expenses	92
Fidelity bond	131
Project expenses	897
Capital outlay	-
 Total expenditures	 37,518
 Net change in fund balance	 9,169
 Fund balance, beginning of year	 57,953
 Fund balance, end of year	 \$ 67,122

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

STATE OF NEW MEXICO  
 CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net change in fund balance - Governmental Funds (Exhibit 4)	\$	9,169
Amounts reported in the Statement of Activities are different because:		
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:		
Capital outlay		-
Depreciation expense		(1,188)
		<hr style="width: 100%;"/>
Change in net assets - Statement of Activities (Exhibit 2)	\$	<u>7,982</u>

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

STATE OF NEW MEXICO  
 CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General Fund			Variance
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
<b>Revenues</b>				
Tree, Drip & Weed Barrier Sales	\$ 25,000	\$ 25,000	\$ 28,331	\$ 3,331
Tree Planters	50	50	-	(50)
Rental-Grass Drill	1,500	1,500	1,967	467
Reimbursement-Grass Drill Repair	2,000	2,000	-	(2,000)
Interest Income	1,100	1,100	1,719	619
NMDA allotment	10,000	10,000	9,944	(56)
Donations	2,000	2,000	-	(2,000)
CRRRP administration fee	-	4,180	4,180	-
Grant - Keep NM Beautiful	5,000	820	471	(349)
Total revenues	<u>46,650</u>	<u>46,650</u>	<u>\$ 46,612</u>	<u>\$ (38)</u>
Cash balance budgeted	1,635	1,635		
Total revenues and cash balance budgeted	<u>\$ 48,285</u>	<u>\$ 48,285</u>		
<b>Expenditures</b>				
Mileage/Per Diem	\$ 2,500	\$ 2,500	\$ 2,370	\$ 130
Dues	1,500	1,500	1,490	10
Office supplies	300	300	217	83
Office equipment	400	400	-	400
Telephone	150	150	-	150
Postage	300	300	277	23
Clerk's salary	6,175	6,175	6,908	(733)
Employee benefits	3,500	3,500	3,408	92
Payroll taxes	460	460	351	109
Information/Education/Promotions	2,000	2,000	679	1,321
Registration fees	650	650	790	(140)
Awards/Special events	1,100	1,100	700	400
Governmental gross receipts tax	1,050	1,050	933	117
Tree, drip & weed barrier expenses	20,000	20,000	18,098	1,902
Tree planter expenses	50	50	-	50
Grass drill expenses	2,500	2,500	508	1,992
Election expenses	500	500	92	408
Fidelity bond	150	150	131	19
Project expenses	5,000	5,000	897	4,103
Total expenditures	<u>\$ 48,285</u>	<u>\$ 48,285</u>	<u>\$ 37,849</u>	<u>\$ 10,436</u>

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

STATE OF NEW MEXICO  
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND  
June 30, 2006

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 250,027</u>
Total assets	<u><u>\$ 250,027</u></u>
<b>Liabilities</b>	
Deferred revenue	<u>\$ 250,027</u>
Total liabilities	<u><u>\$ 250,027</u></u>

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

STATE OF NEW MEXICO  
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Canadian River 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 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). 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  
CANDIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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 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, such as tree, drip and weed barrier sales, 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, such as from Keep NM Beautiful, that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial 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, if any, 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.

Grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current

STATE OF NEW MEXICO  
CANDIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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

The agency funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

Governmental funds are used to account for the District's general governmental activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of general long-term debt.

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.

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 and Liabilities**

1. Cash and Cash Equivalents

The District's cash consists of demand deposits and short term investments (certificates of deposit) with original maturities of twelve months from the date of acquisition.



STATE OF NEW MEXICO  
CANDIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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. Capital Assets

Capital assets, which include property and equipment (including software), are reported in the governmental activities column in the government-wide financial statements. Capital assets, as defined by state law, are 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. The District does not have any infrastructure. 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. There was no infrastructure required to be capitalized and depreciated under GASB Statement No. 34.

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

Farm equipment	10 years
Computer equipment	5 years

3. Accounts Payable

The District's accounts payable represent routine monthly bills for services rendered and products purchased which are paid in the following month and received before the end of the fiscal year but not paid for until after fiscal year end.

4. Compensated Absences

As of June 30, 2006, the District employee does not earn any annual vacation or sick leave.

5. 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, which is the cost of capital assets, net of accumulated depreciation, restricted net assets which are liquid assets and have third-party (statutory, bond covenant or

STATE OF NEW MEXICO  
CANDIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

granting agency) limitations on their use and unrestricted net assets. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The District currently has no restricted net assets or reservations of fund balance at fiscal year-end.

**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  
CANDIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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

	General Fund
Non-GAAP revenues (Exhibit 5)	\$ 46,612
Prior year receivables	(117)
Current year receivables	192
GAAP revenues (Exhibit 4)	\$ 46,687
Non-GAAP expenditures (Exhibit 5)	\$ 37,849
Prior year payable	(1,221)
Current year payable	890
GAAP expenditures (Exhibit 4)	\$ 37,518

**III. Detailed Notes on all Funds**

**A. Cash and Cash Equivalents**

As of June 30, 2006, the District had a carrying amount of deposits of \$317,756 and petty cash amount of \$90. The bank balances for deposits were \$349,964. The difference between the carrying amount and the bank balance of deposits is due to deposit in transit of \$58 and outstanding checks of \$32,266. The total bank balance of \$349,964 was deposited in each of the following bank under the District's name consisted of the following:

First National Bank

Demand deposits	\$ 16,039
Less: FDIC coverage	(16,039)
Amount uninsured	\$ -0-

First National Bank

Certificate of Deposit	\$ 21,528
Less: FDIC coverage	(21,528)
Amount uninsured	\$ - 0 -

STATE OF NEW MEXICO  
 CANDIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

Tucumcari Federal Savings

Certificate of Deposit	\$ 12,303
Less: FDIC coverage	<u>(12,303)</u>
Amount uninsured	<u>\$ - 0 -</u>

Citizens Bank

Money Market Account	\$ 20,817
Less: FDIC coverage	<u>(20,817)</u>
Amount uninsured	<u>\$ - 0 -</u>

Wells Fargo Bank

Demand deposits	\$ 279,277
Less: FDIC coverage	<u>(100,000)</u>
Amount uninsured	<u>\$ 179,277</u>

Pledged securities at fair market value	\$ 553,081
50% collateral requirement	<u>89,639</u>
Over (Under) Collateralized	<u>\$ 463,442</u>

The following is a description of the pledged collaterals that are held under joint safekeeping receipts in the name of the District at Wells Fargo Bank of Northwest at San Francisco, CA: FNCL, CUSIP #31404VBW7, Security #779553, face value \$345,000, market value \$258,200 and a maturity date of 6/1/2034 and FNCL, CUSIP #31405FW73, Security #788270, face value \$435,000, market value \$294,881 and a maturity date of 7/1/2034.

**Custodial Credit Risk – Deposits.** Custodial Credit Risk is the risk that in the event of bank failure certain cash balances which are uninsured could be lost. The District does not have a deposit policy for custodial credit risk. None of the District's deposits are subject to custodial credit risk.

**B. Receivables**

Receivables in the general fund consist of \$192 for interest income receivable.

STATE OF NEW MEXICO  
CANDIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

Description	Balance 06/30/05	Additions	Deletions	Balance 06/30/06
Governmental Activities:				
Farm equipment	\$ 24,433	\$ -	\$ -	\$ 24,433
Computer equipment	1,550	-	-	1,550
Totals at historical costs	25,983	-	-	25,983
Less: Accumulated Depreciation	(23,607)	(1,188)	-	(24,795)
Net Capital Assets	<u>\$ 2,376</u>	<u>\$ (1,188)</u>	<u>\$ -</u>	<u>\$ 1,188</u>

**IV. Other Information**

**A. Employee Benefits**

The District did not offer its employee a pension plan, deferred compensation plan or post-employment benefits as of June 30, 2006.

**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 \$30,000 surety bond.

The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

**C. Contingent Liabilities**

STATE OF NEW MEXICO  
 CANDIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**D. Joint Powers Agreement – Canadian River Riparian Restoration Project**

During the 2004 session, the New Mexico State Legislature appropriated \$4.8 million to the New Mexico Department of Agriculture to remove salt cedar and Russian Olive from the Rio Grande, Pecos and Canadian River Basins. As a result of this appropriation, a joint powers agreement was established for this project. The terms of the agreement are summarized as follows:

Date of agreement:	June 29, 2004
Participants:	New Mexico Association of Conservation Districts and the Canadian River, Colfax, Guadalupe, Mesa, Mora-Wagon Mound, Northeastern, Tierra Y Montes and Ute Creek Soil and Water Conservation Districts
Responsible party for operations:	Canadian River Soil and Water Conservation District
Description:	Canadian River Riparian Restoration Project
Beginning date of agreement:	July 1, 2004
Total estimated amount:	\$2,067,646
Amount expended to date:	\$1,572,215
Audit responsibility:	New Mexico State University, New Mexico Department of Agriculture
Fiscal agent:	Canadian River Soil and Water Conservation District
The government agency where revenues and expenditures are reported:	New Mexico State University

**E. 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  
 CANDIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

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 Canadian River Soil and Water Conservation Districts
Responsible party for operations:	Carlsbad Soil and Water Conservation District
Description:	Pecos River Salt Cedar Control Project
Beginning 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:	\$4,356,168
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  
 CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT  
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND  
 FOR THE YEAR ENDED JUNE 30, 2006

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 645,114	\$ 395,087	\$ 250,027
Total assets	<u>\$ -</u>	<u>\$ 645,114</u>	<u>\$ 395,087</u>	<u>\$ 250,027</u>
<b>Liabilities</b>				
Deferred revenue	\$ -	\$ 645,114	\$ 395,087	\$ 250,027
Total liabilities	<u>\$ -</u>	<u>\$ 645,114</u>	<u>\$ 395,087</u>	<u>\$ 250,027</u>

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





# **OFFICE OF THE STATE AUDITOR**

**Hector H. Balderas**

## **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***

Mr. Tommy Wallace, Chairperson  
and Members of the Board of Supervisors  
Canadian River Soil and Water Conservation District  
706 South 1<sup>st</sup> Box 8  
Tucumcari, New Mexico 88401

We have audited the accompanying financial statements of the governmental activities, the general fund, the respective budgetary comparison, and the aggregate remaining fund information of the Canadian River Soil and Water Conservation District (District) as of and for the year ended June 30, 2006 and have issued our report dated April 27, 2007. 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 reportable 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 errors 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 those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 06-01.

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 New Mexico Department of Finance and Administration, 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

April 27, 2007

STATE OF NEW MEXICO  
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2006

STATUS OF PRIOR YEAR AUDIT FINDINGS

Finding 04-2. Federal 941 Reports Incorrectly calculated – Resolved and not repeated.

CURRENT YEAR AUDIT FINDINGS

Finding 06-01. Federal 944 Report Not Accurate

Condition

The gross pay was underreported by \$475 on the federal 944 report for the year 2006. The District changed the reporting method to a federal 944 report from the federal 941 report for the year 2006.

Criteria

Federal law requires entities to report the accurate gross pay on the federal 944 report.

Cause

The District switched the reporting method from a quarterly report (Form 941) to an annual report (Form 944) for year 2006 and the new District Clerk was unfamiliar with the reporting requirements of the federal 944 report.

Effect

The District has underreported its gross pay by \$475 in the year of 2006. The underreported gross pay may be subject to penalties and interest.

Recommendation

The District should file the amended 944 report for 2006.

Management's Response

The District agrees with the finding concerning the underreported gross pay. Efforts will be made to not repeat this and to rectify the situation.

STATE OF NEW MEXICO  
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

EXIT CONFERENCE  
JUNE 30, 2006

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 April 27, 2007, an exit conference was held at the District Office with Mr. Larry F. Perkins, Vice Chairperson and Ms. Jessica Wallace, District Administrative Assistant of the Canadian River Soil and Water Conservation District. Representing the Office of the State Auditor was Chan Kim, CPA, Audit Manager. The results of the audit and the contents of this report were discussed.