

STATE OF NEW MEXICO
COLFAX
SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2006

(With Independent Auditor's Report Thereon)

STATE OF NEW MEXICO
COLFAX SOIL AND WATER CONSERVATION DISTRICT

TABLE OF CONTENTS
JUNE 30, 2006

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents	i	
Official Roster	ii	
FINANCIAL SECTION		
Independent Auditor's Report		1
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	3
Statement of Activities	2	4
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	5
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	4	6
Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	5	7
Notes to the Financial Statements		8
OTHER REPORTS		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		14
Schedule of Findings and Responses		16
Exit Conference		17

STATE OF NEW MEXICO
COLFAX SOIL AND WATER CONSERVATION DISTRICT
OFFICAL ROSTER
JUNE 30, 2006

<u>Board of Supervisors</u>	<u>Position</u>
Gerald K. Seward	Chairperson
Alice Moore	Secretary/Treasurer
Gretchen Sammis	Supervisor
Gary Shaw	Supervisor
Mary Lou Kern	Supervisor
Rob Seward	Supervisor
Tommy Lloyd	Supervisor

<u>District Personnel</u>	<u>Title</u>
Katie Popejoy	Administrative Assistant



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

INDEPENDENT AUDITOR'S REPORT

Gerald K. Seward, Chairperson
and Members of the Board of Supervisors
Colfax Soil and Water Conservation District
245 Park Ave. Rm 206
Raton, New Mexico 87740

We have audited the accompanying financial statements of the governmental activities, the general fund and the budgetary comparison of the Colfax 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 and the general fund 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 February 20, 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.

Office of the State Auditor

OFFICE OF THE STATE AUDITOR

February 20, 2007

STATE OF NEW MEXICO
 COLFAX SOIL & WATER CONSERVATION DISTRICT
 STATEMENT OF NET ASSETS
 JUNE 30, 2006

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 78,901
Accounts Receivable	1,656
Interest Receivable	233
Capital Assets, net	-
Total assets	80,790
Liabilities	
Accounts Payable	1,513
Total liabilities	1,513
Net Assets	
Unrestricted	79,277
Total net assets	\$ 79,277

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

STATE OF NEW MEXICO
 COLFAX SOIL & WATER CONSERVATION DISTRICT
 STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Governmental Activities
Program Expenses:	
Conservation:	\$ 1,079
Advertising	1,500
Dues	96
Information & Education	132
Awards	182
Insurance	730
Project Cost Tree Sales	156
Newsletter	420
Election Expense	358
Office Expense	4,396
Salaries	552
Payroll Taxes	3,600
Supervisor's stipend	175
Travel and Per Diem	44
Gross Receipts	100
Miscellaneous	13,520
Total program expenses	13,520
Program Revenues:	
Operating Grant-Canadian Watershed Restoration	11,570
Charges for Services-Tree Sales	1,638
Total program revenues	13,208
Net program (expense) revenue	<u>(312)</u>
General Revenues:	
State allocation	9,944
Interest	1,764
Miscellaneous	453
Total general revenues	12,161
Change in net assets	11,849
Net assets at beginning of year	67,428
Net assets at end of year	\$ 79,277

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

STATE OF NEW MEXICO
 COLFAX SOIL & WATER CONSERVATION DISTRICT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2006

	General Fund
Assets	
Cash and cash equivalents	\$ 78,901
Accounts Receivable	1,656
Interest Receivable	233
	\$ 80,790
Total assets and other debts	80,790
Liabilities and fund balance	
Accounts Payable	\$ 1,513
Total liabilities	1,513
Fund balance:	
Unreserved, undesignated	79,277
Total fund balance	79,277
Total liabilities and fund balance	\$ 80,790

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

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

	<u>General Fund</u>
Revenues	
State Allotment	\$ 9,944
Canadian Watershed Restoration grant	11,570
Interest	1,764
Tree Sales	1,638
Miscellaneous Income	453
Total revenues	<u>25,369</u>
Expenditures	
Conservation:	
Current:	
Advertising	1,079
Dues	1,500
Information & Education	96
Awards	132
Insurance	182
Project Cost Tree Sales	730
Newsletter	156
Election expenses	420
Office Expense	358
Salaries	4,396
Payroll Taxes	552
Supervisor's stipend	3,600
Travel and Per Diem	175
Gross receipt tax	44
Miscellaneous expenses	100
Total expenditures	<u>13,520</u>
Net change in fund balance	11,849
Fund balance beginning of year	67,428
Fund balance end of year	<u><u>\$ 79,277</u></u>

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

STATE OF NEW MEXICO
 COLFAX SOIL & 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 Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Grants	\$ 5,000	\$ 5,000	\$ 9,914	\$ 4,914
NMDA Allotment	10,000	10,000	9,944	(56)
Tree Sales	900	900	1,638	738
Interest	1,400	1,400	1,757	357
Newsletter Advertisements	700	700	-	(700)
Miscellaneous Income	100	100	452	352
Total Revenues	<u>\$ 18,100</u>	<u>\$ 18,100</u>	<u>\$ 23,705</u>	<u>\$ 5,605</u>
Expenditures				
Advertising	500	500	851	(351)
Awards	50	50	81	(31)
Dues	850	850	1,500	(650)
Election	500	500	419	81
Information & Education	100	100	96	4
Insurance	182	182	182	-
Project Cost Tree Sales	500	500	730	(230)
Newsletter	400	400	156	244
Office Expense	400	400	358	42
Salaries	5,600	5,600	6,367	(767)
Payroll Taxes	877	877	418	459
Supervisor's stipend	4,200	4,200	3,600	600
Travel and Per Diem	1,600	1,600	337	1,263
Miscellaneous	300	300	100	200
Gross receipt tax	41	41	44	(3)
Tours and Workshops	2,000	2,000	-	2,000
Total Expenditures	<u>\$ 18,100</u>	<u>\$ 18,100</u>	<u>\$ 15,239</u>	<u>\$ 2,861</u>

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

STATE OF NEW MEXICO
COLFAX SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

STATE OF NEW MEXICO
COLFAX SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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. The District currently does not receive any property taxes or grants.

Separate financial statements are provided for governmental funds.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if any, are recorded only when payment is due.

Interest associated with the current fiscal period is all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

STATE OF NEW MEXICO
COLFAX SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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 inter-fund activity, if applicable, has been eliminated from the government-wide financial statements.

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

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

1. Cash and cash equivalents

The District's cash consist of demand deposits and certificates of deposit with original maturities of eighteen months from the date of acquisition.

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. Compensated Absences

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

3. Capital Assets

Capital assets, which includes equipment is 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.

STATE OF NEW MEXICO
COLFAX SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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

Computer equipment	6 years
--------------------	---------

4. 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, 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 provision or enabling legislation. The District had no restricted net assets or fund balance reservations 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
COLFAX 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)	\$	23,704
Prior year receivables		(225)
Current year receivables		1,889
GAAP revenues (Exhibit 4)	\$	<u>25,368</u>
Non-GAAP expenditures (Exhibit 5)	\$	15,239
Prior year payable		(3,232)
Current year payable		1,513
GAAP expenditures (Exhibit 4)	\$	<u>13,520</u>

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 \$78,901. The bank balances of demand deposits were \$22,525 and \$57,126 in time deposits. The difference is an outstanding check of \$750. The total bank balance of \$79,651 consisted of the following:

<u>International Bank</u>		
Demand deposits	\$	79,651
Time deposits		<u>57,126</u>
Total		79,651
Less: FDIC coverage		<u>(79,651)</u>
Amount uninsured	\$	<u>-0-</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2006, \$-0- of the District’s bank balance was exposed to custodial credit risk. All of the District’s deposits were covered by FDIC insurance.

As of June 30, 2006 the District had three Certificates of Deposit with International Bank of Raton totaling \$57,125 with remaining weighted average maturity date of .45 year from the date of financial statements. The

STATE OF NEW MEXICO
COLFAX SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

interest rate for these Certificates of Deposits was 2.10% with an annual percentage yield of 2.12%.

B. Receivables

Receivables consist of the following:

Project Revenue-Canadian Water Restoration	\$ 233
Interest receivable	1,656
	<u>\$1,889</u>

C. Capital Assets

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

Governmental Activities	6/30/05	Additions	Deletions	6/30/06
Assets being depreciated:				
Computer Equipment	\$ 1,419	\$ -	\$ -	\$ 1,419
Totals at historical cost	1,419	-	-	1,419
Less accumulated depreciation for:				
Computer Equipment	(1,419)	-	-	(1,419)
Total accumulated depreciation	(1,419)	-	-	(1,419)
Total Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

D. 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 \$1,000,000 for each wrongful act and \$1,000,000 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 \$5,000 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.



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*

Gerald K. Seward, Chairperson
and Members of the Board of Supervisors
Colfax Soil and Water Conservation District
245 Park Ave. Rm 206
Raton, New Mexico 87740

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparisons of the Colfax Soil and Water Conservation District (District) as of and for the year ended June 30, 2006 and have issued our report dated February 20, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and responses as item 06-1.

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 error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is not considered 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 is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 06-1.

This report is intended solely for the information and use of management, the New Mexico Office of the State Auditor, the New Mexico State University - Department of Agriculture, the state legislature and grantors New Mexico Department of Finance and Administration 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
February 20, 2007

STATE OF NEW MEXICO
COLFAX SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2006

STATUS OF PRIOR YEAR AUDIT FINDINGS

NONE.

CURRENT YEAR AUDIT FINDINGS

06-1. Inaccurate Quarterly 941 Reports to IRS

Condition

The District underreported \$328 of wages paid on the 941 quarterly reports submitted to IRS during FY06 and has failed to pay the payroll tax liability of \$50.18.

Criteria

IRS requires all wages to be reported accurately on quarterly reports along with payments of payroll taxes due thereupon.

Effect

The District is not in compliance with IRS regulations by underreporting the wages paid and by failing to pay payroll taxes due. The District is subject to fines and penalties if the reports are not corrected in a timely manner.

Cause

The District personnel made an error in their computation and the Board failed to verify the accuracy of the reports.

Recommendation

The District should ensure wages are reported accurately on quarterly reports to IRS and that the payroll taxes due are paid in timely manner. The District should file amended 941 reports to the IRS and submit payroll taxes due on the underreported wages.

District's Response

For the underreported wages in the 1st quarter of 2006, an amended 941 report, a 941c, and an amended 944 report have been filed with the Internal Revenue Service. An amended report to the Department of Labor also has been filed along with payment.

STATE OF NEW MEXICO
COLFAX 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 February 20, 2007 an exit conference was held at the District Office with Katie Popejoy, Administrative Assistant and Gerald K. Seward, Chairperson of the Colfax Water Conservation District. Representing the Office of the State Auditor was Sanjay Bhakta, Audit Supervisor and Blanca Trujillo, Senior Auditor.