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**State of New Mexico**  
**OFFICE OF THE STATE AUDITOR**

STATE OF NEW MEXICO

EAST TORRANCE

SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2005

(With Independent Auditor's Report Thereon)



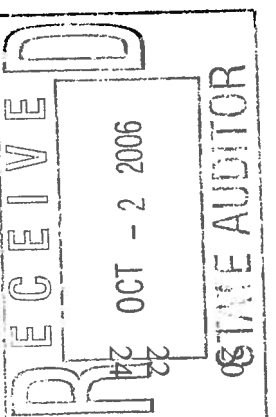
**Domingo P. Martinez, CGFM**  
**State Auditor**

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STATE OF NEW MEXICO  
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT

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JUNE 30, 2005

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STATE OF NEW MEXICO  
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT  
OFFICIAL ROSTER  
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
Ronnie Harral	Chairperson
Jim Berlier	Vice-Chairperson
Belinda Garland	Secretary/Treasurer
Cyle Sharp	Supervisor
Mike Schwebach	Supervisor
Fronia Jaramillo	Supervisor
Jimmy Corliss	Supervisor
<u>District Personnel</u>	<u>Title</u>
Cheri Lujan	District Manager



# State of New Mexico

## OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM  
State Auditor

Carl M. Baldwin, CPA, CFE  
Deputy State Auditor

### INDEPENDENT AUDITOR'S REPORT

Mr. Ronnie Harral, Chair  
and Members of the Board of Supervisors  
East Torrance Soil and Water Conservation District  
P.O. Box 58  
Estancia, New Mexico 87016

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District as of June 30, 2005, 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 May 26, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Office of the State Auditor*

OFFICE OF THE STATE AUDITOR

May 26, 2006

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

Exhibit 1

	Governmental Activities
<b>Assets</b>	
Cash	\$ 103,878
Accounts receivable	6,795
Interest receivable	51
Capital assets, net	3,447
<b>Total assets</b>	<b>114,171</b>
<b>Liabilities</b>	
Accounts payable	1,773
Noncurrent liabilities:	
Due within one year	3,052
Due in more than one year	-
<b>Total liabilities</b>	<b>4,825</b>
<b>Net Assets</b>	
Invested in capital assets	3,447
Unrestricted	105,899
<b>Total net assets</b>	<b>\$ 109,346</b>

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

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

Exhibit 2

	Governmental Activities
<b>Program Expenses:</b>	
Conservation:	
Current:	
Advertisements	\$ 2,965
BLM Project Costs - District Portion	5,529
BLM Project Costs - BLM Portion	10,000
Training	1,097
Contract Labor	2,503
Cost Share Payments	4,351
Dues	2,230
Bond	162
Mileage and Per Diem	3,545
NMACD Annual Meeting	1,736
NMACD Summer Meeting	1,447
Office Expenses	3,681
Payroll	30,621
Payroll Taxes	784
PERA	1,862
Postage	1,594
Soil Stewardship	191
SWCD Annual Meeting	1,662
Tree Costs	9,022
Water Fair	5
Depreciation expenses	862
Total program expenses	85,849
<b>Program Revenues:</b>	
Charges for services	12,786
Federal operating grants and contracts	10,000
State operating grants and contracts	11,250
Reimbursements	10,424
Total program revenues	44,460
Net program (expense) revenue	(41,389)
<b>General Revenues:</b>	
State allotment	9,775
Property taxes	60,055
Donations	3,250
Miscellaneous	143
Interest	886
Total general revenues	74,109
Change in net assets	32,720
Net assets at beginning of year	76,626
Net assets at end of year	\$ 109,346

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

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

Exhibit 3

	General Fund
<b>Assets</b>	
Cash	\$ 103,878
Accounts receivable	6,795
Interest receivable	51
<b>Total assets</b>	<b>\$ 110,724</b>
<b>Liabilities and fund balance</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 1,773
<b>Total liabilities</b>	<b>1,773</b>
<b>Fund balance:</b>	
Unreserved, undesignated	108,951
<b>Total fund balance</b>	<b>108,951</b>
<b>Total liabilities and fund balance</b>	<b>\$ 110,724</b>

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



STATE OF NEW MEXICO  
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT  
FINANCIAL STATEMENT RECONCILIATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS:

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)	\$ 108,951
Capital assets, net of accumulated depreciation	3,447
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Compensated absences	<u>(3,052)</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u>\$ 109,346</u>

STATE OF NEW MEXICO  
 EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Exhibit 4

	General Fund
<b>Revenues</b>	
State allotment	\$ 9,775
Property taxes	60,055
Edgewood reimbursement	9,224
Salary reimbursements - WTB grants	11,250
Sales revenue - Tree and seed sales	12,786
NMACD Training	143
BLM CNWMA Contract	10,000
Interest	886
Miscellaneous Reimbursements	1,200
Total revenues	115,319

**Expenditures**

<b>Conservation:</b>	
Current:	
Advertisements	2,965
BLM Project Costs - District Portion	5,529
BLM Project Costs - BLM Portion	10,000
Training	1,097
Contract Labor	2,503
Cost Share Payments	4,351
Dues	2,230
Bond	162
Mileage and Per Diem	3,545
NMACD Annual Meeting	1,736
NMACD Summer Meeting	1,447
Office Expenses	3,681
Payroll	28,504
Payroll Taxes	784
PERA	1,862
Postage	1,594
Soil Stewardship	191
SWCD Annual Meeting	1,662
Tree Costs	9,022
Water Fair	5
Capital outlay	1,059
Total expenditures	83,929
Net change in fund balance	31,390
Fund balance, beginning of year	77,561
Fund balance end of year	\$ 108,951

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

STATE OF NEW MEXICO  
 EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT  
 FINANCIAL STATEMENT RECONCILIATIONS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

RECONCILIATION OF THE STATEMENT OF ACTIVITIES TO THE STATEMENT OF  
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES:

Net change in fund balance - Governmental Funds (Exhibit 4) \$ 31,390

Amounts reported in the Statement of Activities are different because:

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 increase for the liability not recorded in the balance sheet is: (2,117)

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	4,309
Depreciation expense	<u>(862)</u>
Change in net assets - Statement of Activities (Exhibit 2)	<u><u>\$ 32,720</u></u>

STATE OF NEW MEXICO  
 EAST TORRANCE 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, 2005

Exhibit 5

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
State allotment	\$ 10,000	\$ 10,000	\$ 9,775	\$ (225)
Property taxes	53,000	53,000	64,434	11,434
Edgewood reimbursement	5,000	5,000	7,324	2,324
Torrance County operating grant	1,000	1,000	-	(1,000)
Salary reimbursements - WTB grants	8,000	8,000	9,157	1,157
Sales revenue - Tree and seed sales	2,000	8,000	12,786	4,786
NMACD Training	-	150	143	(7)
BLM East Torrance SWCD portion	-	12,000	-	(12,000)
BLM CNWMA Contract	-	12,000	8,614	(3,386)
Interest	-	-	835	835
Miscellaneous Reimbursements	-	-	1,200	1,200
<b>Total revenues</b>	<u>\$ 79,000</u>	<u>\$ 109,150</u>	<u>\$ 114,268</u>	<u>\$ 5,118</u>
<b>Expenditures</b>				
Current:				
Advertisements	\$ 2,000	\$ 1,238	\$ 1,192	\$ 46
BLM Project Costs - District Portion	-	12,000	5,529	6,471
BLM Project Costs - BLM Portion	-	12,000	10,000	2,000
Training	800	1,800	1,097	703
Contract Labor	5,000	3,000	2,503	497
Cost Share Payments	14,000	14,000	4,351	9,649
Dues	2,500	2,500	2,230	270
Equipment	1,000	1,000	1,059	(59)
Health Insurance	1,000	-	-	-
Bond	200	200	162	38
Mileage and Per Diem	3,000	4,150	3,545	605
NMACD Annual Meeting	2,000	2,000	1,736	264
NMACD Summer Meeting	-	2,000	1,447	553
Office Expenses	2,500	3,500	3,681	(181)
Payroll	30,000	30,000	28,504	1,496
Payroll Taxes	8,000	8,000	4,491	3,509
PERA	1,500	1,500	1,862	(362)
Postage	1,500	1,600	1,594	6
Soil Stewardship	200	200	191	9
SWCD Annual Meeting	1,500	1,662	1,662	-
Tree Costs	2,000	6,500	9,022	(2,522)
Water Fair	300	300	5	295
<b>Total expenditures</b>	<u>\$ 79,000</u>	<u>\$ 109,150</u>	<u>\$ 85,863</u>	<u>\$ 23,287</u>

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

STATE OF NEW MEXICO  
EAST TORRENCE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The East Torrance 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 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 is required to implement GASB Statement No. 40, *Deposit and Investment Risk Disclosures* in fiscal year 2005. To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

**B. Government-wide and Fund Financial Statements**

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

STATE OF NEW MEXICO  
EAST TOLLENCE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

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 fiduciary or 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 such as tree sales, charges for clearing services, and salary reimbursements for services provided, 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.

**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.

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

STATE OF NEW MEXICO  
EAST TORRENCE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

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

The District reports the following major governmental funds:

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

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

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

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

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be demand deposits and short term investments (four certificates of deposit) with original maturities of fourteen months or less from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, repurchase agreements, certificates of deposit and the State Treasurer's Investment Pool. Investments for the government, if applicable, are reported at fair value.

2. Taxes Receivables

The District receives mill-levy property tax revenue from Torrance County. 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

STATE OF NEW MEXICO  
EAST TORRENCE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

taxes become delinquent thirty days after the due date. The taxes are collected by the respective county treasurer and are remitted to the District in the month following collection. Therefore, no allowance for doubtful accounts is recorded.

3. Capital Assets

Capital assets, which include property, and equipment (including software), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by state law as assets with an initial cost of \$1,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. 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. Currently, the District has no infrastructure that is required to be capitalized and depreciated under GASB 34.

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

Office equipment	5 years
Vehicle	5 years
Farm equipment	5 years
Survey Equipment	7 years
Computer equipment	5 years
Computer software	5 years

4. Accounts Payable

The District's accounts payable represent routine monthly bills for services rendered and products purchased which are paid on the following month.

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 government does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide financial statements. A current liability for these amounts is reported in the governmental funds only if they have



STATE OF NEW MEXICO  
EAST TORRENCE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

matured, for example, as a result of resignations and retirements. According to District policy, employees accrue leave at 5 hours per pay period. Employees may not carry more than 120 hours forward from one calendar year to the next.

6. 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 two components – invested in capital assets, which is the cost of capital assets, net of accumulated depreciation 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 reservations of fund balance.

**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  
EAST TORRENCE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

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

	General Fund
Non-GAAP revenues (Exhibit 5)	\$ 114,268
Prior year receivables	(5,795)
Current year receivables	6,846
GAAP revenues (Exhibit 4)	<u>\$ 115,319</u>
Non-GAAP expenditures (Exhibit 5)	\$ 85,863
Prior year payable	(3,707)
Current year payable	1,773
GAAP expenditures (Exhibit 4)	<u>\$ 83,929</u>

**III. Detailed Notes on all Funds**

**A. Cash**

As of June 30, 2005, the District had a carrying amount of deposits of \$103,878. The bank balances for deposits were \$111,427. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$7,549. The total bank balance of \$111,427 consisted of the following:

<u>Wells Fargo Bank – Checking Account</u>	
Demand deposits	\$ 49,616
Less: FDIC coverage	(49,616)
Amount uninsured	<u>\$ -0-</u>
<u>Wells Fargo Bank – Certificate of Deposit #070</u>	
Certificate deposit	\$ 12,457
Less: FDIC coverage	(12,457)
Amount uninsured	<u>\$ -0-</u>

STATE OF NEW MEXICO  
EAST TORRENCE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

<u>Wells Fargo Bank – Certificate of Deposit #708</u>	
Certificate deposit	\$ 14,640
Less: FDIC coverage	<u>(14,640)</u>
Amount uninsured	<u>\$ -0-</u>

<u>The Bank of Belen – Certificate of Deposit #060</u>	
Certificate of deposit	\$ 11,890
Less: FDIC coverage	<u>(11,890)</u>
Amount uninsured	<u>\$ -0-</u>

<u>The Bank of Belen – Certificate of Deposit #391</u>	
Certificate of deposit	\$ 22,824
Less: FDIC coverage	<u>(22,824)</u>
Amount uninsured	<u>\$ -0-</u>

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in 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**

The District had accounts receivable of \$6,846 consisting of \$1,386 due from the Bureau of Land Management for the Noxious Weed Control Program, \$2,093 due from the Claunch-Pinto Soil and Water Conservation District for planning, design, and implementation of contracts for the Water Trust Board funding, \$1,900 due from the Edgewood Soil and Water Conservation District for technical and administrative assistance for cooperative program delivery for landowners for the Natural Resources Conservation Service and \$1,416 due from the county for property taxes. Interest receivable consisted of \$51 owed for interest accrued on certificates of deposit. These receivables are considered fully collectible.

**C. Capital Assets**

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

STATE OF NEW MEXICO  
EAST TORRENCE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

Description	Balance		Balance	
	06/30/04	06/30/05	06/30/04	06/30/05
Vehicle	\$ -	\$ 3,250	\$ -	\$ 3,250
Equipment	2,658	-	-	2,658
Computer equipment	1,907	1,059	-	2,966
Sub-totals	4,565	4,309	-	8,874
Less: Accumulated depreciation				
Vehicle	-	(650)	-	(650)
Equipment	(2,658)		-	(2,658)
Computer equipment	(1,907)	(212)	-	(2,119)
Net capital assets	<u>\$ -</u>	<u>\$ 3,447</u>	<u>\$ -</u>	<u>\$ 3,447</u>

**D. Compensated Absences**

As of June 30, 2005 the District employee had accrued 211 hours of annual leave and compensatory time. The liability accrued for compensated absences is as follows:

	Balance		Balance		Amount due within 1 year
	6/30/04	Increases	Decreases	6/30/05	
Compensated absences	\$ 935	\$ 3,227	\$ 1,110	\$ 3,052	\$ 3,052
Totals	<u>\$ 935</u>	<u>\$ 3,227</u>	<u>\$ 1,110</u>	<u>\$ 3,052</u>	<u>\$ 3,052</u>

**IV. Other Information**

**A. Employee Retirement Benefits**

*Plan Description.* Substantially all of the District's one full time employee participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public

Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The

STATE OF NEW MEXICO  
EAST TORRENCE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

plan provides retirement, disability and survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

*Funding Policy.* Plan members are required to contribute 7% of their gross salary. The District is required to contribute 7% of the gross covered salary. The contribution requirements of plan members and the District are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the years ended June 30, 2005, 2004, and 2003 are \$1,862, \$1,767, and \$1,602 respectively, equal to the amount of required contributions each year.

**B. Post-Employment Benefits**

The District does not offer post-employment healthcare benefits to its employee.

**C. Risk Management**

The District is exposed to various risks of loss due to torts, theft or damage of assets, errors and omissions and natural disasters. The District's supervisors and employees are covered by an errors and omissions liability policy purchased by the 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 \$25,000 surety bond as well as commercial property coverage. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

**D. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment 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.

STATE OF NEW MEXICO  
EAST TORRENCE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

**E. Related Party Transactions**

One of the District's Board of the Supervisors was paid a cost share reimbursement of \$2,000 from the District for application of chemicals (Velpar) for the Cedar Tree Eradication. The cost share program was approved by the Board of the Supervisors in the same manner as other cost share projects are.



# State of New Mexico

## OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM  
State Auditor

Carl M. Baldwin, CPA, CFE  
Deputy State Auditor

Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards*

Mr. Ronnie Harral, Chair  
and Members of the Board of Supervisors  
East Torrance Soil and Water Conservation District  
P.O. Box 58  
Estancia, New Mexico 87031

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the East Torrance Soil and Water Conservation District (District) as of and for the year ended June 30, 2005 and have issued our report dated May 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. 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. Reportable conditions are described in the accompanying schedule of findings and recommendations as item 05-1.

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, we do not consider the reportable condition described above to be 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



OFFICE OF THE STATE AUDITOR  
May 26, 2006



STATE OF NEW MEXICO  
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2005

STATUS OF PRIOR YEAR AUDIT FINDINGS

- 02-2 Supporting documentation of expenditures - Resolved
- 04-1. Lack of Accounting Records and Insufficient Evidential Matter – Repeated in part –  
(Incorporated into  
Finding 05-1)
- 04-2. Cash from Sales not Deposited Timely - Resolved and not repeated in current year.
- 04-3. PERA reports and payments have not been completed or made timely – Resolved  
and not repeated in current year.
- 04-4. Federal and State withholding tax reports filed late and inaccurately – Resolved and not  
repeated in current year.
- 04-5. Payroll- Missing timesheets; unsigned timesheets; inaccurate timesheets - Resolved and  
not repeated in current year.

CURRENT YEAR FINDINGS

05-01 Inaccurate Trial Balance

Condition

Revenues and expenditures for the fiscal year were not completely and accurately reported into the general accounting system (Quickbooks). The reports generated by the system could not be relied upon. As such, auditor was required to develop detailed spreadsheets of revenues and expenditures using bank statements, payment vouchers, and other evidence as source documents.

Criteria

Generally accepted accounting principles (GAAP) require the maintenance of accurate accounting records.

Effect

The District's accounting records and reporting, as generated from the automated system, could not be relied upon.

STATE OF NEW MEXICO  
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2005

Cause

The District manager was replaced and the accounting system was upgraded to a more current version of software. Also, the new District Manager was not familiar with the accounting system since it was the District Manager's first year with the District.

Recommendation

We recommend that the District maintain an accounting system that complies with generally accepted accounting principles as required by the District's funding agreements.

Management's Response

The District concurs with the State Auditor's Office findings. The finding will be rectified.

STATE OF NEW MEXICO  
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT

EXIT CONFERENCE  
JUNE 30, 2005

Financial Statement Preparation

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

Exit Conference

On May 26, 2006, an exit conference was held at the District Office with Mr. Ronnie Harral, Chairman, Ms. Belinda Garland, Secretary/Treasurer, and Ms. Cheri Lujan, District Manager of the East Torrance Soil and Water Conservation District. Representing the Office of the State Auditor was Chan Kim, CPA, Audit Manager.