



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

STATE OF NEW MEXICO

EAST TORRANCE

SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2006

(With Independent Auditor's Report Thereon)

8017

STATE OF NEW MEXICO
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT

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JUNE 30, 2006

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STATE OF NEW MEXICO
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
JUNE 30, 2006

<u>Board of Supervisors</u>	<u>Position</u>
Jim Berlier	Chairperson
Ryan Schwebach	Vice-Chairperson
Belinda Garland	Secretary/Treasurer
Fronia Jaramillo	Supervisor
Arthur Swenka	Supervisor
Wayne Metzger	Supervisor
Laura Riley	Supervisor
<u>District Personnel</u>	<u>Title</u>
Cheri Lujan	District Manager



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

INDEPENDENT AUDITOR'S REPORT

Mr. Jim Berlier, 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, 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 March 16, 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

March 16, 2007

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

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 124,925
Investments	14,894
Accounts receivable	4,833
Capital assets, Net	49,691
Total assets	194,343
Liabilities	
Accounts payable	1,748
Noncurrent liabilities:	
Due within one year	2,947
Due in more than one year	-
Total liabilities	4,695
Net Assets	
Invested in capital assets	49,691
Unrestricted	139,957
Total net assets	\$ 189,648

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, 2006

	Governmental Activities
Program Expenses:	
Conservation:	
Current:	
Advertisements	\$ 747
BLM Project Costs - District Portion	1,502
Training	511
Contract Labor	176
Cost Share Payments	695
Dues	2,070
Equipment-other	524
Health Insurance	3,609
Bond	162
Mileage and Per Diem	514
NMACD Annual Meeting	1,676
NMACD Summer Meeting	1,481
Office Expenses	3,285
Payroll	34,963
Payroll Taxes	3,106
PERA Benefits	2,195
Postage	1,761
Soil Stewardship	453
SWCD Annual Meeting	1,837
Tree Costs	14,923
Water Fair	648
Special Project Fees	4,036
Equipment	31,119
Depreciation expense	12,638
Total program expenses	<u>124,631</u>
Program Revenues:	
Charges for services	18,752
State operating grants and contracts	11,840
State capital grants	90,000
Reimbursements	9,324
Total program revenues	<u>129,916</u>
Net program (expense) revenue	<u>5,286</u>
General Revenues:	
State allocation	9,944
Property taxes	61,966
Donations	1,435
Miscellaneous	138
Interest	1,535
Total general revenues	<u>75,018</u>
Change in net assets	80,302
Net assets at beginning of year	<u>109,346</u>
Net assets at end of year	<u><u>\$ 189,648</u></u>

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, 2006

Exhibit 3

	General Fund
Assets	
Cash and cash equivalents	\$ 124,925
Investments	14,894
Accounts receivable	4,833
Total assets	\$ 144,652
Liabilities and fund balance	
Liabilities:	
Accounts payable	\$ 1,748
Total liabilities	1,748
Fund balance:	
Unreserved, undesignated	142,904
Total fund balance	142,904
Total liabilities and fund balance	\$ 144,652

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

STATE OF NEW MEXICO
EAST TORRANCE 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) \$ 142,904

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 49,691

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

Compensated absences (2,947)

Net Assets - Statement of Net Assets (Exhibit 1) \$ 189,648

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

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, 2006

Exhibit 4

	General Fund
Revenues	
State Allocation	\$ 9,944
Property taxes	61,966
Edgewood reimbursement	7,420
Salary reimbursements - WTB grants	11,840
Sales revenue - Tree and seed sales	18,752
NMACD Training	138
Interest	1,535
Donations	1,435
Miscellaneous Reimbursements	1,904
Capital Outlay State Grant Funding	90,000
Total revenues	204,934
Expenditures	
Conservation:	
Current:	
Advertisements	747
BLM Project Costs - District Portion	1,502
Training	511
Contract Labor	176
Cost Share Payments	695
Dues	2,070
Equipment-other	524
Health Insurance	3,609
Bond	162
Mileage and Per Diem	514
NMACD Annual Meeting	1,676
NMACD Summer Meeting	1,481
Office Expenses	3,285
Payroll	35,068
Payroll Taxes	3,106
PERA Benefits	2,195
Postage	1,761
Soil Stewardship	453
SWCD Annual Meeting	1,837
Tree Costs	14,923
Water Fair	648
Special Project Fees	4,036
Equipment	31,119
Capital outlay	58,882
Total expenditures	170,980
Net change in fund balance	33,954
Fund balance beginning of year	108,951
Fund balance end of year	\$ 142,905

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

STATE OF NEW MEXICO
 EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance -
 Governmental Funds to the Statement of Activities

For the Fiscal year Ended June 30, 2006

Net change in fund balance - Governmental Funds (Exhibit 4) \$ 33,954

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: 105

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	58,882
Depreciation expense	<u>(12,638)</u>
Change in net assets - Statement of Activities (Exhibit 2)	<u><u>\$ 80,303</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, 2006

Exhibit 5

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
State Allocation	\$ 10,000	\$ 10,000	\$ 9,944	\$ (56)
Property taxes	55,905	55,905	62,014	6,109
Edgewood reimbursement	6,720	7,460	7,640	180
Torrance County operating grant	1,000	1,000	-	(1,000)
Salary reimbursements - W/TB grants	8,000	8,000	12,543	4,543
Sales revenue - Tree and seed sales	8,000	14,000	18,752	4,752
NMACD Training	150	150	138	(13)
BLM East Torrance SWCD portion	16,000	3,000	1,386	(1,614)
BLM CNWMA Contract	8,000	-	-	-
Interest	-	-	1,191	1,191
Donations	-	-	1,435	1,435
Miscellaneous Reimbursements	900	1,700	1,904	204
Capital Outlay funding	-	90,000	90,000	-
Total revenues	<u>\$ 114,675</u>	<u>\$ 191,215</u>	<u>\$ 206,947</u>	<u>\$ 15,731</u>
Expenditures				
Current:				
Advertisements	\$ 2,000	\$ 2,000	\$ 747	\$ 1,253
BLM Project Costs - District Portion	16,000	3,000	1,502	1,498
BLM Project Costs - BLM Portion	8,000	-	-	-
Training	1,000	500	511	(11)
Contract Labor	1,000	150	176	(26)
Cost Share Payments	10,000	10,000	695	9,305
Dues	2,300	2,300	2,070	230
Equipment-other	500	600	524	76
Health Insurance	3,445	3,445	3,609	(164)
Bond	175	175	162	13
Mileage and Per Diem	2,500	600	514	86
NMACD Annual Meeting	2,000	1,700	1,676	24
NMACD Summer Meeting	2,000	2,000	1,481	519
Office Expenses	3,000	3,000	3,285	(285)
Payroll	36,000	36,000	35,378	622
Payroll Taxes	9,000	9,000	2,978	6,022
PERA Benefits	2,000	2,000	2,038	(38)
Postage	1,600	2,200	1,761	439
Soil Stewardship	200	350	453	(103)
Special Project Fees	2,500	4,500	4,036	464
SWCD Annual Meeting	1,500	1,640	1,837	(197)
Tree Costs	6,755	14,555	14,923	(368)
Water Fair	1,200	1,500	648	852
Equipment	-	-	31,119	(31,119)
Capital Outlay	-	90,000	58,882	31,118
Total expenditures	<u>\$ 114,675</u>	<u>\$ 191,215</u>	<u>\$ 171,005</u>	<u>\$ 20,210</u>

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

STATE OF NEW MEXICO
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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). 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 and Statement of Activities) 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-

STATE OF NEW MEXICO
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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 and 2) grants and contributions 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.

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

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

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

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

STATE OF NEW MEXICO
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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. Deposits and Investments

The District's cash and cash equivalents are considered to be demand deposits and short term investments (three 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. The State Treasurer is authorized to invest the short-term investment funds with the advice and consent of the State Board of Finance in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E NMSA 1978. Participation in the local government investment pool is voluntary. For additional disclosure information regarding investments held by the State Treasurer, the reader should refer to the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2006.

2. Taxes Receivables

The District receives mill-levy property tax revenue from the Torrance County. Property taxes attach an enforceable lien as of January 1. Taxes are payable in equal

STATE OF NEW MEXICO
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

semi-annual installments on November 10 and April 10 of the subsequent year. The taxes become delinquent thirty days after the due date. The taxes are collected by the 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 \$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. Currently, the District has no infrastructure that is required to be capitalized and depreciated under GASBS 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

4. Accounts Payable

The District's accounts payable represent routine monthly bills for services rendered and products purchased which are paid for in 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 TORRANCE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

matured, for example, as a result of resignations and retirements. According to District policy, employees accrue annual 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.

STATE OF NEW MEXICO
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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.

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

	General	Fund
Non-GAAP revenues (Exhibit 5)	\$ 206,947	
Prior year receivables	(6,846)	
Current year receivables	4,833	
GAAP revenues (Exhibit 4)	<u>\$ 204,934</u>	
Non-GAAP expenditures (Exhibit 5)	\$ 171,006	
Prior year payable	(1,774)	
Current year payable	1,748	
GAAP expenditures (Exhibit 4)	<u>\$ 170,980</u>	

III. Detailed Notes on all Funds

A. Cash and Investments

As of June 30, 2006, the District had a carrying amount of deposits of \$124,925. The bank balances for deposits were \$126,743. The difference between the carrying amount and the bank balance of deposits is due to a deposit in transit of \$1,690 and outstanding checks of \$3,508. The total bank balance of \$126,743 consisted of the following:

<u>Wells Fargo Bank – Checking Account</u>	
Demand deposits	\$ 78,709
Less: FDIC coverage	<u>(78,709)</u>
Amount uninsured	<u>\$ -0-</u>

STATE OF NEW MEXICO
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

Wells Fargo Bank – Certificate of Deposit #070

Certificate deposit	\$ 12,457
Less: FDIC coverage	(12,457)
Amount uninsured	<u>\$ -0-</u>

The Bank of Belen – Certificate of Deposit #060

Certificate of deposit	\$ 12,179
Less: FDIC coverage	(12,179)
Amount uninsured	<u>\$ -0-</u>

The Bank of Belen – Certificate of Deposit #391

Certificate of deposit	\$ 23,398
Less: FDIC coverage	(23,398)
Amount uninsured	<u>\$ -0-</u>

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.

As of June 30, 2006, the District had an investment of \$14,894 with the State Treasurer's Local Government Investment Pool.

Interest Rate Risk – The District does not have a deposit policy for interest rate risk. The District informally manages its exposure to declines in fair values by limiting its investment portfolio to securities with a relative short weighted average maturity. The weighted average maturity of the LGIP was 44 days as of June 30, 2006.

Credit Risk – State law limits the District's investments to bonds or negotiable securities of the United States, the State of New Mexico, or a county, municipality or school district that meet certain criteria. The District has no investment policy that would further limit its investment choices. The LGIP was rated AAAm by Standard & Poor's.

STATE OF NEW MEXICO
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

B. Receivables

The District had accounts receivable of \$4,833 consisting of \$1,390 due from the Clauncho-Pinto Soil and Water Conservation District for planning, design, and implementation of contracts for the Water Trust Board funding, \$1,680 due from the Edgewood Soil and Water Conservation District for technical and administrative assistance for cooperative program delivery for landowners from Natural Resources Conservation Service, \$344 due from interest on investments, and \$1,419 due from property taxes.

C. Capital Assets

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

Description	Balance		Balance	
	06/30/05	Additions	Deletions	06/30/06
Vehicle	\$ 3,250	\$ 44,700	\$ -	\$ 47,950
Equipment	2,658	14,182	-	16,840
Computer equipment	2,966	-	-	2,966
Total at historical cost	<u>8,874</u>	<u>58,882</u>	<u>-</u>	<u>67,756</u>
Less: Accumulated depreciation for				
Vehicle	(650)	(12,426)	-	(13,076)
Equipment	(2,658)	-	-	(2,658)
Computer equipment	(2,119)	(212)	-	(2,331)
Total accumulated depreciation	<u>(5,427)</u>	<u>(12,638)</u>	<u>-</u>	<u>(18,065)</u>
Net capital assets	<u>\$ 3,447</u>	<u>\$ 46,244</u>	<u>\$ -</u>	<u>\$ 49,691</u>

The District's depreciation expense of \$12,638 was charged to the conservation function.

D. Compensated Absences

As of June 30, 2006 the District employee had accrued 211 hours of annual leave and compensatory time. Liability accrued for compensated absences is as follows:

STATE OF NEW MEXICO
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

	Balance 6/30/05	Increases	Decreases	Balance 6/30/06	Amount due within 1 year
Compensated					
absences	<u>\$ 3,052</u>	<u>\$ 1,820</u>	<u>\$ (1,925)</u>	<u>\$ 2,947</u>	<u>\$ 2,947</u>

IV. Other Information

A. Employee Retirement Benefits

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

Funding Policy. Plan members are required to contribute 7% of their gross salary. The District is required to contribute 7% of the gross covered salary. The contribution requirements of plan members and the District are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the years ended June 30, 2006, 2005, and 2004 are \$2,038, \$1,862, and \$1,767 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

STATE OF NEW MEXICO
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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.

E. Related Party Transactions

One of the District's Board of the Supervisors was paid a reimbursement of \$166 from the District for picking up trees and delivering them. The pick up and delivery of trees was approved by the Board of the Supervisors in the same manner as other expenditures are approved.



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. Jim Berlier, 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 comparisons of the East Torrance Soil and Water Conservation District (District) as of and for the year ended June 30, 2006 and have issued our report dated March 16, 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 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 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

OFFICE OF THE STATE AUDITOR

March 16, 2007

STATE OF NEW MEXICO
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2006

STATUS OF PRIOR YEAR AUDIT FINDINGS

05-01. Inaccurate Trial Balance -- Resolved and not repeated in current year.

CURRENT YEAR FINDINGS

None

STATE OF NEW MEXICO
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SCHEDULE OF FINDINGS AND RECOMMENDATIONS
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 March 16, 2007, an exit conference was held at the District Office with Mr. Jim Berlier, Chairman, 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. The results of the audit and the contents of this report were discussed.