

STATE OF NEW MEXICO

EDGEWOOD

SOIL AND WATER CONSERVATION DISTRICT

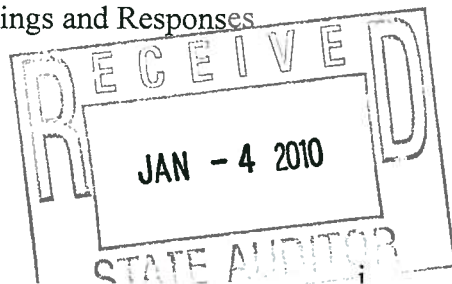
FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2005

(With Independent Auditor's Report Thereon)

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

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JUNE 30, 2005

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STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
David King	Chairperson
Lewis Fisher	Vice-Chairperson
Bill King	Secretary/Treasurer
Mark Anaya	Supervisor
Jim Rea	Supervisor
Jo Bassett	Supervisor
Patricia Ayre	Supervisor
<u>District Personnel</u>	<u>Title</u>
Brenda Smythe	Office Manager



State of New Mexico
OFFICE OF THE STATE AUDITOR

Hector H. Balderas
State Auditor

Carla C. Martinez
Deputy State Auditor

INDEPENDENT AUDITOR'S REPORT

Mr. David King, Chair
and Members of the Board of Supervisors
Edgewood Soil and Water Conservation District
P.O. Box 1049
Moriarty, New Mexico 87035

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

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

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.

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In accordance with *Government Auditing Standards*, we have also issued a report dated March 25, 2009 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 25, 2009

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

Exhibit 1

	Governmental Activities
Assets	
Cash	\$ 251,685
Investments	163,086
Property taxes receivable	43,501
Interest receivable	653
Inventory	5,062
Capital assets, net (Note III.B)	610,762
 Total assets	 1,074,749
Liabilities	
Accounts payable	3,616
Accrued payroll	8,774
Due to other entities	1,651
Non current liabilities due within one year	872
 Total liabilities	 14,913
Net Assets	
Invested in capital assets, net of related debt	610,762
Unrestricted	449,074
 Total net assets	 \$ 1,059,836

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

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

Exhibit 2

	<u>Governmental Activities</u>
Program Expenses:	
Conservation:	
Salaries and benefits	\$ 105,109
Per diem and travel	12,367
Office expenses	23,620
Meetings and workshops	4,077
Dues	225
Insurance	3,572
Contract services	28,022
Part-time help	7,482
Information and education	18,329
Newsletter	6,704
Conservation programs	55,627
Rent and utilities	14,671
Miscellaneous	1,331
Depreciation	1,402
	<hr/>
Total program expenses	282,538
	<hr/>
Program Revenues:	
Seed sales and other	5,131
Refunds	349
	<hr/>
Total program revenues	5,480
	<hr/>
Net program (expense) revenue	(277,058)
	<hr/>
General Revenues:	
NMDA allotment	9,775
Property taxes	280,324
Interest	17,606
	<hr/>
Total general revenues	307,705
	<hr/>
Change in net assets	30,647
	<hr/>
Net assets at beginning of year	1,029,189
	<hr/>
Net assets at end of year	\$ 1,059,836
	<hr/> <hr/>

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

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

Exhibit 3

	General Fund
Assets	
Cash	\$ 251,685
Investments	163,086
Property taxes receivable	43,501
Interest receivable	653
Inventory	5,062
Total assets	\$ 463,987
 Liabilities and fund balance	
Liabilities:	
Accounts payable	\$ 3,617
Accrued payroll	8,774
Due to other entities	1,651
Deferred revenues	34,859
	48,901
Fund balance:	
Reserved for cost share program	72,636
Reserved for inventory	5,062
Unreserved, designated for subsequent year's expenditures	395,800
Unreserved, undesignated (deficit)	(58,412)
	415,086
Total fund balance	415,086
Total liabilities and fund balance	\$ 463,987

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

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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)	\$ 415,086
Capital assets, net of accumulated depreciation	610,762
Delinquent property taxes receivable not recognized as income in the governmental funds	34,860
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Compensated absences	<u>(872)</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u>\$ 1,059,836</u>

STATE OF NEW MEXICO
 EDGEWOOD 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

	<u>General Fund</u>
Revenues	
State allocation	\$ 9,775
Property taxes	282,941
Interest	17,606
Seed sales and other	5,480
	<u>315,802</u>
Expenditures	
Conservation:	
Current:	
Salaries	71,496
Employee benefits/payroll taxes	33,544
Per diem and travel	12,367
Office supplies	15,203
Telephone	7,349
Legal notices/meetings	1,068
Meetings and workshops	4,077
Dues	225
Insurance	3,572
Contract services	28,022
Part-time help	7,482
Information and education	18,329
Newsletter	6,704
Projects/conservation programs	55,627
Rent and utilities	14,671
Miscellaneous	1,331
Capital outlay	289,490
	<u>570,557</u>
Net change in fund balance	(254,755)
Fund balance beginning of year	669,841
	<u>669,841</u>
Fund balance end of year	\$ 415,086
	<u>415,086</u>

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

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Net change (decrease) in fund balance - Governmental Funds (Exhibit 4) \$ (254,755)

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: (69)

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	289,490
Depreciation expense	(1,402)

Property taxes arise from nonexchange transactions and are recognized in the statement of activities in the year levied. In the governmental funds they are recognized as revenue when they are measurable and available. current year: (2,617)

Change in net assets - Statement of Activities (Exhibit 2) \$ 30,647

STATE OF NEW MEXICO
EDGEWOOD 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			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
State allocation	\$ 10,200	\$ 10,200	\$ 9,775	\$ (425)
Property taxes	225,000	225,000	279,876	54,876
Interest	2,200	2,200	17,589	15,389
Refunds	-	-	349	349
Seed sales and other	3,000	3,000	7,119	4,119
Total revenues	<u>240,400</u>	<u>240,400</u>	<u>314,708</u>	<u>74,308</u>
Cash balance budgeted	<u>428,700</u>	<u>428,700</u>	-	<u>(428,700)</u>
Total revenues	<u>\$ 669,100</u>	<u>\$ 669,100</u>	<u>\$ 314,708</u>	<u>\$ (354,392)</u>
Expenditures				
Current:				
Salaries including benefits and taxes	\$ 120,000	\$ 120,000	\$ 99,209	\$ 20,791
Per diem and travel	10,000	10,000	13,233	(3,233)
Office, telephone, ads, postage	8,000	8,000	23,650	(15,650)
Meetings and workshops	1,500	1,500	3,922	(2,422)
Dues	2,000	2,000	225	1,775
Bonding and insurance	1,500	1,500	3,572	(2,072)
Project/contract services	28,600	28,600	28,022	578
Part-time help	-	-	6,622	(6,622)
Information and education	10,000	10,000	18,469	(8,469)
Newsletter	-	-	6,704	(6,704)
Project/conservation and cost share	120,000	120,000	56,720	63,280
Rent and utilities	16,000	16,000	14,672	1,328
Repairs	-	-	452	(452)
Truck lease	-	-	626	(626)
Miscellaneous	1,500	1,500	252	1,248
Capital outlay	<u>350,000</u>	<u>350,000</u>	<u>289,490</u>	<u>60,510</u>
Total expenditures	<u>\$ 669,100</u>	<u>\$ 669,100</u>	<u>\$ 565,840</u>	<u>\$ 103,260</u>

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

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Edgewood 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, a phase three government, was required to implement GASB Statement 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* in fiscal year 2004. To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets) report information on all of the nonfiduciary activities of the primary government.

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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.

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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.

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.

Amounts reported as program revenues include charges to customers for sales of seeds and publications. General revenues include all taxes, the allotment received through the New Mexico Department of Agriculture, and interest income.

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 investments

The District's cash and cash equivalents are considered to be demand deposits and short term investments (certificates of deposit) with original maturities of 90 days or less. Certificates of deposit with original maturities of more than 90 days are presented as investments in the financial statements.

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.

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

2. Taxes Receivable

The District receives property tax revenue from the counties of Bernalillo, Santa Fe, and Torrance. The taxes are collected by the respective county treasurer and are paid to the District monthly; therefore, no allowance for doubtful accounts is recorded.

3. Inventory

The District maintains an inventory of seeds for grass and other plants for resale. The value of inventory at June 30, 2005 is \$5,062. The inventory is valued at cost using the first-in/first-out (FIFO) method. The inventory is expended when sold.

4. Accounts Payable

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

5. Capital Assets

Capital assets, which include property, equipment and 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.

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

Equipment	10-14 years
Computers	5 years

6. Due to Other Entities

The District owes Claunch-Pinto Soil and Water Conservation District \$1,651 for unexpended funds on an abandoned well plugging project. This amount was repaid in August 2005.

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

7. Compensated Absences

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

According to District policy, employees accrue leave at 3.08 hours per pay period if employed less than three years, increasing to 4 hours for less than seven years, 5 hours for less than eleven years, 6 hours for less than fifteen years, and 6.30 hours for 15 or more years. Employees may not carry more than 240 hours forward from one calendar year to the next.

8. 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 fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation and/or are legally restricted by outside parties for use for a specific purpose. See Note III. F Fund Balance Reservations and Designations.

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

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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.

B. Reconciliation of Non-GAAP Budget to GAAP

	General Fund
Non-GAAP revenues (Exhibit 5)	\$ 314,708
Prior year receivables	(8,201)
Current year receivables	9,295
GAAP revenues (Exhibit 4)	\$ 315,802
Non-GAAP expenditures (Exhibit 5)	\$ 565,840
Prior year payable	(4,886)
Prior year payroll accrual	(2,943)
Prior year receivables	155
Current year payable	3,617
Current year payroll accrual	8,774
GAAP expenditures (Exhibit 4)	\$ 570,557

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

III. Detailed Notes on all Funds

A. Cash and investments

As of June 30, 2005, the District's total carrying amount of demand deposits at Wells Fargo Bank was \$251,685. There were outstanding checks and deposits in transit totaling a net \$8,788. The District's investments consist of certificates of deposit with original maturities that range from six months to 30 months. The certificates of deposit at Wells Fargo Bank total to \$42,782 and the certificate of deposit at First State Bank has a balance of \$120,304. The bank balances were not fully covered by federal depository insurance. The uninsured bank balances at Wells Fargo and at First State Bank were fully collateralized with securities in accordance with New Mexico state statutes as follows:

	Wells Fargo Bank	First State Bank
Checking account balance per bank	\$ 179,356	\$ -
Less FDIC insurance	(100,000)	-
Uninsured balance	<u>\$ 79,356</u>	<u>\$ -</u>
NOW Account	\$ 81,117	\$ -
Certificates of deposit	42,782	120,304
Total time deposits	123,899	120,304
Less FDIC insurance	(100,000)	(100,000)
Uninsured balance	<u>\$ 23,899</u>	<u>\$ 20,304</u>
Total uninsured balance	\$ 103,255	\$ 20,304
Security requirement (§6-10-17 NMSA)	50.0%	50.0%
Total security required	\$ 51,627	\$ 10,152
Total security pledged at market value	377,579	24,539
Collateral Security Excess (Deficiency)	<u>\$ 325,953</u>	<u>\$ 14,386</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 District does not have a deposit policy for

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

custodial credit risk. Deposits at the Wells Fargo Bank were exposed to custodial credit risk in the amount of \$103,255, all of which is collateralized, although the collateral is not held in the name of the District. Deposits at First State Bank were exposed to custodial credit risk in the amount of \$20,303, all of which is collateralized although the collateral is not held in the name of the District.

Wells Fargo Bank holds its collateral in San Francisco, California in the bank's trust department as follows:

<u>Security</u>	<u>Sequence No.</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
FNCT bond	010729	31371LHF9	11/1/2023	\$ 286,036
FNCL bond	011667	31388WXD3	01/1/2032	10,602
GNSF bond	008408	36225BFL7	07/15/2029	3,277
GNSF bond	010620	36225BG69	12/15/2029	20,959
GNSF bond	016805	36225BHZ4	7/15/2029	28,114
GNSF bond	003774	36225BMG0	3/15/2031	<u>28,591</u>
Total				<u>\$ 377,579</u>

First State Bank holds its collateral in the Federal Home Loan Bank of Dallas, Texas as follows:

<u>Security</u>	<u>Security No.</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
FHLB bond	-	31339YVV1	7/21/2008	<u>\$ 24,539</u>

B. Capital Assets

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

<u>Description</u>	<u>Balance 6/30/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/05</u>
Assets not depreciated:				
Land	<u>\$ 317,021</u>	<u>\$ 289,490</u>	<u>\$ -</u>	<u>\$ 606,511</u>
Assets being depreciated:				
Equipment	11,744	-	-	11,744
Computers	3,332	-	-	3,332
Total assets being depreciated	<u>15,076</u>	<u>-</u>	<u>-</u>	<u>15,076</u>
Total capital assets	<u>332,097</u>	<u>289,490</u>	<u>-</u>	<u>621,587</u>

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

B. Capital Assets (continued)

Description	Balance 6/30/04	Additions	Deletions	Balance 6/30/05
Less Accumulated depreciation:				
Equipment	6,825	1,076		7,901
Computers	2,598	326		2,924
Total accumulated depreciation	<u>(9,423)</u>	<u>(1,402)</u>	-	<u>(10,825)</u>
Net capital assets	<u>\$ 322,674</u>	<u>\$ 288,088</u>	<u>\$ -</u>	<u>\$ 610,762</u>

All of the \$1,402 of depreciation is charged to the conservation function.

C. Long-Term Debt

Long-term debt activity for the year ended June 30, 2005 is as follows:

Description	Balance 6/30/04	Additions	Deletions	Balance 6/30/05
Compensated absences	\$ 803	\$ 4,880	\$ 4,811	\$ 872
Totals	<u>\$ 803</u>	<u>\$ 4,880</u>	<u>\$ 4,811</u>	<u>\$ 872</u>

Compensated absences, when they are paid, will be liquidated by the general fund.

D. Operating Leases

The District entered into a lease agreement with Edgewood Center Partnership for the lease of office space at the Edgewood Center. The lease term is from

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February 12, 2002 to the extended termination date of February 28, 2006. The District expended \$12,216 during the year for the lease.

In December 2002, the District entered into a thirty-nine month lease on a Savin copier. The current monthly rental is \$306. Approximately \$3,730 was expended in the current fiscal year.

In May 2005, the District entered into a thirty-six month lease on a Ford pickup truck. The current monthly rental is \$627. Approximately \$627 was expended in the current fiscal year. As of June 30, 2005, future minimum lease payments on these leases are as follows:

<u>Year Ending June 30,</u>	<u>Truck</u>	<u>Copier</u>
2006	\$ 7,527	\$ 2,451
2007	7,527	-
2008	<u>6,273</u>	<u>-</u>
Total Minimum Payments	<u>\$ 21,327</u>	<u>\$ 2,451</u>

F. Net Assets and Fund Balance Reservations and Designations

The District's net assets as of June 30, 2005 consist of \$610,762 invested in capital assets and the remaining net assets of \$449,074 are unrestricted.

The fund balance has been reserved for projects for which the District Board has required that funds be expended for specific purposes. As of June 30, 2005, \$72,636 was reserved for the cost-share program. Each July 1, the District reserves an additional \$50,000 for the cost-share program. The District plans to provide cost-share in equal amounts for farms, ranches and urban projects within the district and has also decided to provide cost-share for other projects within the district.

Fund balance of \$5,062 has been reserved for the inventory of seeds on hand as of the balance sheet date.

Fund balance of \$395,800 has been designated for subsequent year expenditures. The designation represents the amount of cash needed to balance the budget in the next fiscal year. This designation results in a \$58,412 deficit in the District's unreserved, undesignated fund balance.

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G. Cost – Share Program

In June 2001 the District implemented a cost-share program that the District will fund on its own. The purpose of the program is to share the cost of conservation projects with farms, ranches and urban stewardship projects on small acreages and will also provide cost share for other projects within the District and with neighboring soil and water conservation districts. The District will share up to 50% of the cost of a conservation project depending on the type of project and criteria established for farms, ranches and urban stewardship projects. The cost-share project with the Ciudad Soil and Water Conservation District concluded this fiscal year.

IV. Other Information

A. Employee Retirement Benefits

Plan Description. Substantially all of the District's full time employees participate in a public employee retirement system authorized under the Public 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 13.15% of their gross salary. The District is required to contribute 9.15% 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 \$9,357, \$11,121, \$11,061 respectively, equal to the amount of required contributions each year.

B. Other Employee Benefits

As of June 30, 2005, the District's employees are not offered a deferred compensation plan or any post employment benefits.

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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 \$400,000 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. Related Party Transactions

The District Clerk was previously contracted by the Board for her services provided through her bookkeeping business. In August 2003 the District Clerk was appointed to the Board of Supervisors for the District. Since her appointment to the Board the former District Clerk's daughter has taken over operation of the bookkeeping business. During the current fiscal year the District paid \$15,276 to the bookkeeping business for accounting services performed by the former District Clerk, now a member of the District's Board of Supervisors.

A member of the Board of Supervisors was paid \$779 for supplies used by the District during the current fiscal year. The District also entered into two cost share agreements with the same member, one during the 2004 fiscal year and the other during the 2005 fiscal year. He was reimbursed \$4,316 in the current fiscal year and \$5,000 in the subsequent fiscal year. The District entered into a cost share agreement with another member of the Board of Supervisors during the current fiscal year. He was reimbursed \$785 in the subsequent fiscal year.

Claunch Pinto Soil and Water conservation District (Claunch-Pinto) received a grant from the New Mexico Water Trust Board for brush management, reseeding and other projects in an area that includes all of the acreage in Edgewood Soil and Water conservation District (Edgewood). Two members of the Edgewood Board of Supervisors entered into cost share agreements with Claunch Pinto during the current fiscal year. They received reimbursements in December 2005 for \$14,220 and \$8,710, respectively. The expenditures of the Water Trust Board grant are included in disclosures on Claunch-Pinto's financial statements.



State of New Mexico
OFFICE OF THE STATE AUDITOR

Hector H. Balderas
State Auditor

Carla C. Martinez
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. David King, Chair
and Members of the Board of Supervisors
Edgewood Soil and Water Conservation District
P.O. Box 1049
Moriarty, New Mexico 87035

We have audited the accompanying financial statements of the governmental activities, the general fund, the aggregate remaining fund information and budgetary comparison for the general fund of the Edgewood Soil and Water Conservation District (District) as of and for the year ended June 30, 2005, and have issued our report thereon dated March 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or

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material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 04-3.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 05-1, 05-2, and 05-3.

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

This report is intended solely for the information and use of 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 25, 2009

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2005

STATUS OF PRIOR YEAR AUDIT FINDINGS

- 01-2 Purchase Transactions Not Supported With Invoices – Resolved
- 03-1 Payroll Tax Forms Report Incorrect Gross Pay – Resolved
- 03-2 Unspent Funds from Abandoned Well Grant– Resolved
- 04-1 Use of Debit Card – Resolved
- 04-2 Surety Bond Amount Inadequate – Resolved
- 04-3 Seed Sales – Modified and Repeated

CURRENT YEAR AUDIT FINDINGS

- 05-1 Mileage and Travel Reimbursements
- 05-2 Supporting Documentation for Cost Share Expenditures
- 05-3 Cash Deficit in the Subsequent Year's Budget

04-3 Seed Sales – Modified and Repeated

Condition

The District sells seeds of various plants. In early April 2005, five seed sale transactions were documented with un-numbered invoices. Three deposits to the bank totaling \$2,529 were made for seed sales in late May and all of June 2005. These deposits included revenues collected from 43 separate transactions. The District's copy of a total of seven pre-numbered sales invoices from this time period could not be located. The amount of the District's seed sales is still relatively small. The current year's recorded sales of approximately \$4,600 is, however, more than twice as large as the less than \$2,100 recorded in the previous fiscal year.

Criteria

State statutes, section 6-6-3 NMSA 1978, Local public bodies; duties, requires the District to keep all of the books, records and accounts in their respective offices in the form prescribed by the Local Government Division of the Department of Finance and Administration. Also, Section 22 of the Operations Handbook for Soil and Water Conservation Districts specifically calls for documenting cash received in a cash receipts journal.

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SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2005

Cause

The District operated the Edgewood field office most of this fiscal year without a full-time person in the office who was assigned the responsibility of keeping track of seed sales. Also, a variety of invoice and cash receipt forms were used to document sales.

Effect

The District has not adequately documented its cash receipts from seed sales.

Recommendation

We recommend that only pre-numbered invoice forms should be used for seed sales and that the carbon copy of each invoice must be retained in the District's records. Seed sales more than doubled this fiscal year over last year's total. If seed sales continue to increase at the same rate, the District should obtain a cash register to document seed sales. It will be much easier to establish a stronger accounting system for seed sales before they grow even larger.

District's Response

The District did use pre-numbered invoices as requested by the NM State Auditor the previous year, however, these invoices were hand-numbered. With the invoices being hand-numbered some of the invoices were left blank (un-numbered) or were mis-numbered.

05-1 Mileage and Travel Reimbursements

Condition

During the fiscal year, the District recorded 37 mileage and travel-related cash disbursement transactions totaling \$13,262. The auditors tested 22 of these transactions which totaled \$12,596. Included among the transactions tested were two travel vouchers for actual expenses incurred which included reimbursements for meals in excess of the per day maximum established in the Per Diem and Mileage Act. Also tested is a mileage reimbursement where the rate per mile used was \$0.32 ½ instead of the correct rate of \$0.32. Further, the District did not use travel vouchers and supporting schedules and documents that conform to the policies and procedures issued by the Financial Control Division of the Department of Finance and Administration.

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SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2005

Criteria

Pursuant to the Per Diem and Mileage Act, 10-8-5 NMSA 1978, the Department of Finance and Administration has issued "Regulations Governing the Per Diem and Mileage Act," which are part of the New Mexico Administrative Code, at 2.42.2 NMAC. These regulations establish a maximum reimbursement rate per day for meals of \$30 for in-state travel. The regulations also limit the reimbursement for use of privately owned automobiles at thirty-two cents per mile. These regulations also require travel vouchers and supporting schedules and documents to conform to the policies and procedures manuals issued by the Financial Control Division of the Department of Finance and Administration.

Cause

The District was not aware of all of the provisions of the Per Diem and Mileage Act and the regulations issued by the Financial Control Division to implement the Act.

Effect

The District over-reimbursed one person by \$106 for meals while the other was over-reimbursed by \$85. One person was over-reimbursed by \$3 for mileage. The District has not documented its mileage and travel reimbursements pursuant to guidance from the Department of Finance and Administration.

Recommendation

The District should make future reimbursements for mileage and travel in accordance with the Per Diem and Mileage Act and the related regulations.

District's Response

The payments made by the District for the over reimbursed amounts were not to employees, but to District Board Members. These payments were however made after submission of actual bills.

05-2 Supporting Documentation for Cost Share Expenditures

Condition

The District's cost share program permits participating landowners to receive reimbursement for up to 50% of certain land improvement expenditures. The District did

STATE OF NEW MEXICO
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SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2005

not obtain copies of invoices in sufficient amounts to support the reimbursements made for three cost share projects. One project was for \$2,394. The District reimbursed the participant \$1,197 although there were only \$1,410 in verifiable receipts in the file which justified a reimbursement amount of \$705. The participant was over-reimbursed \$492. Another project was for \$1,977. The District reimbursed the participant \$988 although there were only \$1,834 in verifiable receipts in the file. The participant was over-reimbursed \$71. The third project was for \$1,744. The District reimbursed the participant \$872 although there were only \$952 in verifiable receipts in the file. The participant was over-reimbursed \$396.

Criteria

Good accounting practices and New Mexico's Local Government Finance statutes require that proper supporting documentation be kept on all purchases. Section 6-6-3 NMSA 1978 requires a complete record of the transactions of the entity.

Effect

Not having the supporting documentation may result in payments being made for goods or services that weren't received.

Cause

The District appears to have made cost share reimbursements for projects, the cost of which were not adequately documented.

Recommendation

The District should request the cost share participants to provide invoices to support the expenditures not currently supported with invoices. For all future cost share disbursements, we recommend the District obtain and attach to the purchase voucher invoices and/or other appropriate supporting documentation. A copy of the cost share agreement should be attached to the purchase voucher for cost share payments, in addition to invoices to support the payment.

District's Response

The over-payments to the above participants appear to have been made mistakenly by simple mathematical errors. The cost-share projects were completed however as per cost-share rules/regulations.

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SCHEDULE OF FINDINGS AND RESPONSES
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05-3 Cash Deficit in the Subsequent Year's Budget

Condition

The District does not have sufficient funds to support the subsequent year's budget. The District budget for the subsequent year indicates a shortfall of revenue over expenditures of \$395,800. Based on this shortfall the amount designated for subsequent year's expenditures would be \$395,800 for the current year's audit. Based on the amount designated for subsequent year's expenditures it would cause an undesignated, unreserved fund balance below zero for the current year. The unreserved undesignated fund balance for the current year would be a deficit of \$58,412.

Criteria

Per SAO Rule Section 2.2.2.10 P, "If budgeted expenditures exceed budgeted revenues (after prior-year cash balance and any applicable federal receivables required balancing the budget) that fact must also be reported in a finding."

Effect

The District is not in compliance with the State Audit Rule and may be unable to properly fund all expenditures for the subsequent year.

Cause

The District appears to have budgeted for expenditures that exceed budgeted revenue and available unreserved, undesignated fund balance.

Recommendation

The District should take into account available funds and projected revenues when preparing the budgets. Budgeted expenditures should not exceed the total of the budgeted revenues and unreserved, undesignated fund balance.

District's Response

The District's expenditures were high due to the purchase of land and new administrative building.

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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 April 20, 2009, an exit conference was held at the District Office. Representing the Edgewood Soil and Water Conservation District was Lewis Fisher, Vice-Chairperson, Josephine Bassett, Supervisor, Leo Smith, Supervisor and Brenda Smythe, District Manager. Representing the Office of the State Auditor was John R. Earnshaw, CPA, Audit Manager.