



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER  
CONSERVATION DISTRICT**

**INDEPENDENT AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS  
June 30, 2009**

**STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>INTRODUCTORY SECTION</b>	<b><u>Page</u></b>
Table of Contents	i
Official Roster	ii
 <b>FINANCIAL SECTION</b>	
Independent Auditors' Report	1
 <b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Assets	2
Statement of Activities	3
 <b>Fund Financial Statements:</b>	
Balance Sheet - Governmental Funds	4
 Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	5
 Statement of Revenues and Expenditures Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	6
 Notes to the Financial Statements	7-15
 <b>OTHER REPORTS</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16-17
 Schedule of Findings and Responses	18-32
 Exit Conference	33

**STATE OF NEW MEXICO**  
**EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT**

**OFFICIAL ROSTER**  
**AS OF JUNE 30, 2009**

<b>Board of Supervisors</b>	<b>Position</b>	<b>Elected/Appointed</b>
David King	Chairperson	Appointed
Lewis Fisher	Vice-Chairperson	Elected
Bill King	Secretary/Treasurer	Elected
Mark Anaya	Member	Elected
Leo Smith	Member	Elected
Josephine Bassett	Member	Elected
Patricia Ayre	Member	Appointed

<b>District Personnel</b>	<b>Title</b>
Brenda Smythe	District Manager
Kelly Smith	District Technician

## INDEPENDENT AUDITORS' REPORT

Mr. David King, Chair and Members of the Board of Supervisors  
Edgewood Soil and Water Conservation District and  
Mr. Hector Balderas, State Auditor of New Mexico

We were engaged to audit 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, 2009 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.

We discovered a significant number of transactions for which sufficient audit evidence could not be located. Furthermore, the District has not maintained adequate accounting records for the year ended June 30, 2009 and we were unable to apply procedures to determine whether the opening balances in the financial statements as of July 1, 2008 were fairly presented in conformity with accounting principles generally accepted in the United States of America or whether the accounting principles have been consistently applied between 2008 and 2009.

Since the District did not maintain adequate records and we were unable to apply other auditing procedures to satisfy ourselves about the opening balances in the financial statements as of July 1, 2008 or about the consistent application of accounting principles between 2008 and 2009, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

The District has omitted the Management's Discussion and Analysis (MD&A) which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

In accordance with *Governmental Auditing Standards*, we have issued a report dated August 1, 2013 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 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.



Hinkle + Landers, P.C.  
Albuquerque, NM  
August 1, 2013

**STATE OF NEW MEXICO**  
**EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT**  
**STATEMENT OF NET ASSETS**  
**As of June 30, 2009**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
<b>Current</b>	
Cash and Investments	\$ 144,747
Property taxes receivable	36,738
Grants receivable	47,424
Inventory	<u>11,658</u>
Total current assets	240,567
<b>Non current</b>	
Capital assets, not being depreciated	606,511
Capital assets being depreciated, net	<u>722,052</u>
Capital assets, net of accumulated depreciation	<u>1,328,563</u>
Total assets	<u><u>\$ 1,569,130</u></u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 4,960
Accrued payroll	3,248
Compensated absences	8,939
Note payable - current portion	<u>18,765</u>
<b>Total current liabilities</b>	35,912
<b>Long-term liabilities</b>	
Note payable	358,368
Compensated absences - long term portion	<u>-</u>
<b>Total long-term liabilities</b>	<u>358,368</u>
<b>Total liabilities</b>	<u><u>394,280</u></u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	951,430
Unrestricted	<u>223,420</u>
<b>Total net assets</b>	<u>1,174,850</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 1,569,130</u></u>

See accompanying independent auditors' report and notes to financial statements.

**STATE OF NEW MEXICO**  
**EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2009**

<b>Program Expenses</b>	<b>Governmental Activities</b>
Conservation:	
Building expense	\$ 21,372
Conservation	147,250
Contract services	37,955
Dues and subscriptions	193
Insurance	3,808
Meetings	8,960
Miscellaneous	15,231
Office expense	19,341
Payroll and benefits	97,077
Interest	9,351
Travel and fuel	23,157
Depreciation	39,321
Total program expenses	<u>423,016</u>
<b>Program Revenues</b>	
Conservation sale items	<u>34,596</u>
Total program revenues	<u>34,596</u>
Net program (expense) revenue	<u>(388,420)</u>
<b>General Revenues</b>	
Property taxes	309,996
Appropriations	15,828
Water trust board	11,759
Grants	85,505
Interest	1,012
Total general revenues	<u>424,100</u>
Change in net assets	35,680
Net assets at beginning of year	<u>1,139,170</u>
<b>Net assets at end of year</b>	<u><u>\$ 1,174,850</u></u>

See accompanying independent auditors' report and notes to financial statements.

**STATE OF NEW MEXICO**  
**EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**As of June 30, 2009**

		General Fund
<b>Assets</b>		
Cash and investments	\$	144,747
Property taxes receivable		36,738
Grants receivable		47,424
Inventory		11,658
Total assets	\$	240,567
<b>Liabilities and Fund Balance</b>		
Liabilities		
Accounts payable	\$	4,960
Accrued payroll		3,248
Total liabilities		8,208
Fund balance		
Unreserved		220,701
Reserved for inventory		11,658
Total fund balance		232,359
Total liabilities and fund balance	\$	240,567
<b>Reconciliation of the balance sheet to the statement of net assets</b>		
Total fund balance governmental funds	\$	232,359
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds		1,328,563
Other current liabilities (notes payable) are not available to pay for current period		(18,765)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet:		
Notes payable		(358,368)
Compensated absences		(8,939)
Net assets of governmental activities	\$	1,174,850

See accompanying independent auditors' report and notes to financial statements.

**STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2009**

	<u>General Fund</u>
<b>Revenues</b>	
Property taxes	\$ 309,996
Conservation sale items	34,596
Appropriations	15,828
Water trust board	11,759
Grants	85,505
Interest	1,012
Total revenues	458,696
<b>Expenditures</b>	
<b>Current: Conservation:</b>	
Building expense	21,372
Conservation	147,250
Contract services	37,955
Dues and subscriptions	193
Insurance	3,808
Meetings	8,960
Miscellaneous	15,231
Office expense	19,341
Payroll and benefits	88,138
Travel and fuel	23,157
<b>Non-current:</b>	
<b>Debt Service</b>	
Principal payments - debt service	18,430
Interest payments - debt service	9,351
<b>Capital outlay</b>	-
Total expenditures	393,186
Excess (deficiency) of revenues over (under) expenditures before other financing sources	65,510
<b>Other financing sources</b>	-
Net change in fund balance	65,510
Fund balance beginning of year	166,849
Fund balance end of year	\$ 232,359
<b>Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities:</b>	
Net change in fund balance - Governmental Funds	\$ 65,510
Amounts reported in Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of assets are allocated as their estimated useful life as depreciation expense	
Depreciation expense	(39,321)
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The (increase) decrease is compensated absences is included in the statement of activities.	(8,939)
Principal payments on notes payable included in governmental funds but not in the statement of activities.	18,430
Change in net assets - Statement of Activities	\$ 35,680

See accompanying independent auditors' report and notes to financial statements.



**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 Year Ended June 30, 2009**

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 280,000	280,000	283,540	3,540
Conservation sale items	45,000	45,000	34,596	(10,404)
Appropriations	17,200	17,200	15,828	(1,372)
Water trust board	12,000	12,000	11,759	(241)
Grants	25,000	25,000	38,081	13,081
Interest	120	120	1,012	892
Total revenues	<u>379,320</u>	<u>379,320</u>	<u>384,816</u>	<u>5,496</u>
Other financing sources - capital outlay	-	-	-	-
Total revenues	<u>379,320</u>	<u>379,320</u>	<u>384,816</u>	<u>5,496</u>
<b>Expenditures</b>				
<b>Current</b>				
Building expense	7,375	7,375	21,372	(13,997)
Conservation	120,000	120,000	147,250	(27,250)
Contract services	40,000	40,000	37,955	2,045
Dues and subscriptions	3,800	3,800	3,693	107
Insurance	5,000	5,000	3,808	1,192
Meetings	5,000	5,000	8,960	(3,960)
Miscellaneous	26,958	26,958	25,697	1,261
Office expense	12,407	12,407	19,341	(6,934)
Payroll and benefits	98,340	98,340	86,760	11,580
Travel and fuel	12,000	12,000	23,157	(11,157)
Capital outlay	-	-	-	-
<b>Debt service</b>				
Principal payments - debt service	18,430	18,430	18,430	-
Interest payments - debt service	9,170	9,170	9,351	(181)
Total expenditures	<u>358,480</u>	<u>358,480</u>	<u>405,774</u>	<u>(47,294)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 20,840</u>	<u>20,840</u>	<u>(20,958)</u>	<u>(41,798)</u>
Reconciliation of Non-GAAP Budget to GAAP				
Change in fund balance (Budget Basis)			\$ (20,958)	
To adjust applicable revenue accruals			74,880	
To adjust applicable expenditures and accruals			<u>11,588</u>	
Change in fund balance (GAAP basis)			<u>\$ 65,510</u>	

See accompanying independent auditors' report and notes to financial statements.

**STATE OF NEW MEXICO**  
**EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**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, two of whom must be landowners in the District. Two additional supervisors may be appointed to the District board. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

The financial reporting entity 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 District participates in a Memorandum of Understanding for Watershed Health and Restoration in the Estancia Underground Water Basin. The Edgewood, East Torrance, Claunch-Pinto and Ciudad Soil and Water Conservation Districts work separately and collectively on restoration conservation practice implementation in the basin area and are responsible for actions, activities and implementation of each project in their respective district in accordance with the rules of the fiscal administering entity and funding source. There is no financial arrangement and modifications to this agreement can be made at any time by mutual consent of the participants. Any district can withdraw from this MOU at any time after Supervisory Board action and written notification to the remaining districts.

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) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, the District does not have any 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,

**STATE OF NEW MEXICO**  
**EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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.

**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. Property taxes receivables are recognized in the government-wide statements net of estimated refunds and uncollectible amounts in the period the taxes are levied, even if not available. The governmental fund financial statements exclude the portion of property taxes that are not available. Taxes, and similar items are not recognized as revenue because they are not both available and measurable (reasonably estimable) as per GASB 33 requires. 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.

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 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital

**STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

grants and contributions. Internally designated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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 3 months or less 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.

**2. Receivables**

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

The District also receives grants that support the conservation function.

**3. Inventory**

Inventory is for materials and supplies held for consumption on a first-in, first out basis. They are reported at cost, which is recorded as an expenditure at the time individual inventory items are used.

**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:

Building	39 years
Equipment	5-14 years

**STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**6. 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. Vacation pay has not been accrued as of June 30, 2009.

According to District policy, employees accrue leave at 3.08 hours per pay period if employed less than three years, increasing to 3.69 hours for less than seven years, 4.61 hours for less than eleven years, 5.54 hours for 11 or more years. Employees may not carry more than 240 hours forward from one calendar year to the next.

**7. 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.

**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  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**III. Detailed Notes on all Funds**

**A. Cash and Investments**

As of June 30, 2009, the District's total carrying amount of deposits was \$144,747. The bank balances were fully covered by federal depository insurance. The locations and amounts deposited at each of the financial institutions are as follows:

	<b>Wells Fargo Bank</b>	<b>First Community Bank</b>	<b>Total</b>
Demand deposits per bank	\$ 188,306	0	188,306
Less: FDIC insurance	(250,000)	(250,000)	(500,000)
Uninsured balance	<u>\$ (61,694)</u>	<u>(250,000)</u>	<u>(311,694)</u>
Certificates of deposit	24,897	-	24,897
Less: FDIC insurance	(24,897)	-	(24,897)
Uninsured balance	-	-	-
Total uninsured balances	<u>\$ -</u>	<u>-</u>	<u>-</u>
Total uninsured balance	\$ -	-	-
Security requirement (6-10-17 NMSA)	50%	50%	50%
Total security required	-	-	-
Total security pledged at market value	-	-	-
Collateral security excess (deficiency)	<u>\$ -</u>	<u>-</u>	<u>-</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 custodial risk.

THIS SPACE INTENTIONALLY LEFT BLANK

**STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**B. Capital Assets**

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

Description	2008	Additions	Deletions	2009
<b>Capital assets not being depreciated</b>				
Land	\$ 606,716	-	-	606,716
Total capital assets not being depreciated	\$ 606,716	-	-	606,716
<b>Capital assets being depreciated</b>				
Building	\$ 674,812	-	-	674,812
Equipment	114,838	-	-	114,838
Vehicles	30,756	-	-	30,756
Total capital assets being depreciated	820,406	-	-	820,406
Total capital assets	\$ 1,427,122	-	-	1,427,122
<b>Less accumulated depreciation for:</b>				
Building	\$ (22,711)	(20,978)	-	(43,689)
Equipment	(29,351)	(12,192)	-	(41,543)
Vehicles	(7,176)	(6,151)	-	(13,327)
Total accumulated depreciation	(59,238)	(39,321)	-	(98,559)
Capital assets, net	\$ 1,367,884	(39,321)	-	1,328,563

Depreciation of \$39,321 was charged to the conservation function.

**C. Long-Term Debt**

Long-term debt activity for the year ended June 30, 2009 was as follows:

Description	2008	Additions	Deletions	2009	Amount Due Within One Year
NMFA Mortgage	\$ 395,563	-	(18,430)	377,133	18,765
Description	2008	Additions	Deletions	2009	Amount Due Within One Year
Compensated absences	\$ 8,360	4,110	3,531	8,939	8,939

During the fiscal year ended June 30, 2007, the District entered into a mortgage agreement with New Mexico Finance Authority in the amount of \$427,511 for their agricultural and office building project. The term of this loan is twenty years and carries a 2.35% interest rate. The outstanding principal balance at June 30, 2009 is \$377,133. Minimum principal payments are as follows:

**STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Principal</u>	<u>Interest</u>
2010 \$	18,765	9,016
2011	19,114	8,667
2012	19,480	8,302
2013	19,868	7,916
2014	20,278	7,506
2015-19	108,376	27,565
2020-24	122,286	16,688
2025-26	48,966	2,001
\$	<u>377,133</u>	<u>87,661</u>

The interest associated with the long-term debt noted above was \$9,351.

The debt service payments for the NMFA mortgage payable will be liquidated by the general fund. Compensated absences, when they are paid, will be liquidated by the general fund.

**D. Operating Lease Commitments**

On September 22, 2008, the District entered into a 36 month lease commitment on a Sharp copier. The current monthly rental is \$237. Approximately \$2,892 was expended in the current fiscal year with a previous copier.

As of June 30, 2009 future minimum lease payments for the copier for the following fiscal years is as follows:

2010	\$	2,844
2011		2,133

**E. Fund Balance Reservations and Designations**

The District's net assets as of June 30, 2009 consisted of \$951,430 (\$1,174,850 – 223,420) invested in capital assets less related debt. There are no reservations or designations for the remaining balance in net assets.



**STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**F. 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. The District will share up to 50% of the cost up to \$3,500 of a conservation project depending on the type of project and criteria established for farms, ranches and urban stewardship projects. The District will share up to 75% of the cost for brush removal.

**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 7.00% of their gross salary. The District is required to contribute 7.00% 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 year ended June 30, 2009, 2008, and 2007 were \$9,766, \$6,064 and \$8,848 respectively, equal to the amount of required contributions each year.

**B. Other Employee Benefits**

As of June 30, 2009, the District's employees are not offered a deferred compensation plan or any post employment benefits.

**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 \$5,000 surety bond as well as commercial property coverage. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

**D. Related Party Transactions**

During the fiscal year the District paid \$18,794 to a Board member for her services as contract bookkeeper.

Two children of the District Manager were paid \$9,703 for contractual services (office work and

**STATE OF NEW MEXICO**  
**EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

maintenance) during the fiscal year.

Two relatives of the District Technician were paid \$5,320 for contractual services (office work) during the fiscal year.

No amounts were owed to or due from related parties at June 30, 2009.

**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 and  
Mr. Hector Balderas, State Auditor of New Mexico

We have audited the financial statements of the governmental activities, the general fund, the aggregate remaining fund information, and the respective budgetary comparison for the general fund of the Edgewood Soil and Water Conservation District (District) as of and for the year ended June 30, 2009 and have issued our report dated August 1, 2013. We did not express an opinion on the respective financial position of the governmental activities, the general fund, and the aggregate remaining fund information of the District, as of June 30, 2009, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 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 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 a combination of control deficiencies, that adversely affects entity'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: 05-01, 06-02, 06-04, 06-10 through 06-12, 06-14 through 06-18, 06-21, 06-24, 07-01, 07-03, 08-01 and 09-01 through 09-03. 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 District'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 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, of the significant deficiencies described above, we consider items 06-02, 06-04, 06-10 through 06-12, 06-14 through 06-17, 06-21, 06-24, 07-01, 07-03, 08-01 and 09-01, and 09-02, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 05-01, 06-11, 06-24, 09-01, and 09-03.

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 District'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 New Mexico State Legislature, the New Mexico Department of Finance and Administration and applicable grantors and is not intended to be and should not be used by anyone other than these specified parties.



Hinkle + Landers, P.C.  
August 1, 2013

**STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>FY-Finding #</b>	<b>Findings</b>	<b>Status of Current and Prior Year Findings</b>	<b>State Auditor Finding</b>	<b>Material Weakness</b>	<b>Significant Deficiency</b>	<b>Compliance</b>
05-01	Lack of Support for Travel Expense Reimbursements	Repeated	Yes	No	Yes	Yes
06-01	Audit Report of Prior Fiscal Year Not Completed	Cleared				
06-02	Board of Supervisors Not Receiving Financial Information Timely	Repeated	No	Yes	Yes	No
06-03	Invoice Not Approved Prior to Payments	Cleared				
06-04	Cash Disbursements Missing Supporting Documentation	Repeated	No	Yes	Yes	No
06-05	Use of ATM Debit Card	Cleared				
06-06	Disbursements Not Coded to Proper Accounts	Cleared				
06-07	Invoices Posted in Wrong Accounting Period	Cleared				
06-08	Missing Cancelled Checks	Cleared				
06-10	Land Owners Do Not Sign-Off on Final Pay Request in Cost Share Program	Repeated	No	Yes	Yes	No
06-11	Insurance And PERA Payments Not Made Timely or in Consistent Amounts	Repeated	No	Yes	Yes	Yes
06-12	Checks Written to Pay Invoices for Vendors and Suppliers are Mailed By Person Who Prepares the Check	Repeated	No	Yes	Yes	No
06-13	QuickBooks Set Up For Wrong Fiscal Period	Cleared				
06-14	Payroll Controls	Repeated	No	Yes	Yes	No
06-15	Independent Contractor Procurement Weaknesses	Repeated	No	Yes	Yes	No
06-16	Changing Prior Year Transactions	Repeated	No	Yes	Yes	No
06-17	Cash Disbursements - Lack Of Segregation of Duties/Internal Control Weaknesses	Repeated	No	Yes	Yes	No
06-18	New Mexico Gross Receipts Tax Paid on Exempt Purchases	Repeated	No	No	Yes	No
06-20	Certification of Capital Assets Annual Inventory	Cleared				
06-21		Repeated	No	Yes	Yes	No
06-24	Audit Report Not Submitted Timely	Repeated	Yes	Yes	Yes	Yes

**STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>FY-Finding #</b>	<b>Findings</b>	<b>Status of Current and Prior Year Findings</b>	<b>State Auditor Finding</b>	<b>Material Weakness</b>	<b>Significant Deficiency</b>	<b>Compliance</b>
07-01	Fleet Fuel Purchases Not Properly Approved	Repeated	No	Yes	Yes	No
07-02	Payment for Bookkeeping Services Not Properly Approved	Cleared				
07-03	Lack of Approval for Services of Relatives	Repeated	No	Yes	Yes	No
07-04	Seed Inventory Not Taken	Cleared				
08-01	Bank Accounts and Reconciliations	Repeated	No	Yes	Yes	No
08-02	Under Collateralized Bank Accounts	Cleared				
09-01	Lack of Support and Timeliness of Deposits	New	Yes	Yes	Yes	Yes
09-02	Lack of Controls over Financial Reporting	New	Yes	Yes	Yes	No
09-03	Social Security Coverage	New	Yes	No	Yes	Yes

**05-01—LACK OF SUPPORT FOR TRAVEL EXPENSE REIMBURSEMENT VOUCHERS**

**Statement of Condition**

Out of 10 items tested, 9 travel expense reimbursement vouchers totaling \$13,375.52 lacked supporting documentary evidence. Additionally, 1 travel expense statement did not foot and the District Manager was overpaid \$17.42, which was not caught in review by the Chair or the Secretary-Treasurer who both approved the reimbursement voucher. We also noted expenditures in Sam's Club and in the Travel account for which there was no business purpose documented for groceries, supplies, and meals.

**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 the permissible reimbursement rates. 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. Travel should be properly approved and authorized, supporting receipts submitted and proper rates paid in accordance with approved guidelines.

**Cause**

The District is not following the guidelines for the Per Diem and Mileage Act.

**Effect**

The District is not in compliance with Per Diem and Mileage Act. The District may be paying unallowable costs.

STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2009

**Recommendation**

The District should make sure they are in compliance with the Per Diem and Mileage Act.

**Management Response**

Travel expenses are no longer being reimbursed for employees. A travel account has been opened, and all travel will be documented through this account.

**06-02—BOARD OF SUPERVISORS NOT RECEIVING FINANCIAL INFORMATION TIMELY**

**Statement of Condition**

The District's Board of Supervisors has not been provided balance sheets and statement of activities and other financial information on a timely basis.

**Criteria**

In order for the governing board to fulfill their fiduciary duty of properly monitor the financial activities of the organization; they need timely, accurate financial information.

**Effect**

The governing board does not have the ability to fulfill their fiduciary responsibility duties to the organization.

**Cause**

The financial information is not being completed in a timely manner.

**Recommendation**

Financial information such as monthly balance sheets, statements of activities as well as aging schedules of payables and receivables should be reviewed by the governing board or some subset of the board in a timely manner.

**Management Response**

The current fiscal year budget and all transactions will be entered into QuickBooks Accounting, and all reporting will be by QuickBooks reports only. These reports will be distributed to the Board of Supervisors at least 1 week prior to every board meeting. These will consist of: Statement of Net Assets, Statement of Activities, and Statement of Revenues & Expenditures Budget & Actual along with the bank reconciliation.

**06-04—CASH DISBURSEMENTS MISSING SUPPORTING DOCUMENTATION**

**Statement of Condition**

Out of 62 items tested, 23 disbursements totaling \$36,251.13 did not have documents to support the purchase.

**Criteria**

Proper accounting policies and internal control procedures require that supporting

STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2009

information be provided to verify that a purchase is consistent with the policies of the District in accordance with 6-6-3 NMSA 1978.

**Cause**

The District is not monitoring its purchases to be consistent proper accounting and internal control procedures.

**Effect**

Unauthorized purchases could be made.

**Recommendation**

We recommend that all cash disbursements are not made until the proper supporting documentation is provided for that purchase.

**Management Response**

All invoices will be sent to the District Office, located at 2506 Route 66, Box 1050, Moriarty, NM 87035 to the District Manager's attention. Once received, the District Manager will review and verify purchase and sign for payment, and then submit to bookkeeper for payment. Bookkeeper will then attach to invoice for signature, then payment. No payment will be made without supporting documentation. (No handwritten notes – no quotes - must be detailed invoice).

**06-10—LAND OWNERS DO NOT SIGN-OFF ON FINAL PAY REQUEST IN COST SHARE PROGRAM**

**Statement of Condition**

The District has a Cost Share Program that partners the organization with a private landowner on a land improvement project. Per our review of these Cost Share agreements, we have noted there is no sign off by the participating land owners to certify that he or she agrees that the documentation of costs involved in the project are accurate and are properly associated with the project.

**Criteria**

Good business procedures dictate that the parties involved in an agreement the responsibility each party has for the project and to certify the accuracy of the costs involved.

**Effect**

The District may run the risk that the reimbursement of costs associated with a Cost-Share project may not be accurate.

**Cause**

The District may not have considered including these type of certifying signatures.

**Recommendation**

We recommend that the Cost Share agreements be reviewed to improve the accountability and responsibility aspects of the agreement.



STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2009

**Management Response**

Management and Technical staff have constructed a final payment signature page for use on every cost-share payment implemented for fiscal year ending 6/30/2011.

**06-11—INSURANCE AND PERA PAYMENTS NOT MADE TIMELY OR IN CONSISTENT AMOUNTS**

**Statement of Condition**

Our review of 22 payments for insurance and PERA throughout the year disclosed 4 inconsistent payments in amounts and timing totaling \$3,034.96. The payments could not be tied to invoices or statements we reviewed.

**Criteria**

Routine expenses such as insurance and PERA payments should be paid on a routine basis and the disbursements should contain supporting documentation that can easy to follow to ensure proper amounts were paid.

**Effect**

The difficulty of following the supporting documentation for these payments calls into question the internal controls for proper review and authorization of disbursements. This issue indicates high risk that the controls over disbursements are not working adequately.

**Cause**

It appears the controls over disbursements need to be improved.

**Recommendation**

We recommend the controls over disbursements be improved.

**Management Response**

Bookkeeper was in the hospital. Although payroll was done the insurance and PERA payments were not paid until later. The inconsistency was caused by trying to catch up. Both are now up to date as of fiscal year ending 6/30/2011.

**06-12—CHECKS WRITTEN TO PAY INVOICES FOR VENDORS AND SUPPLIERS ARE MAILED BY PERSON WHO PREPARES THE CHECK**

**Statement of Condition**

The person who writes the checks to pay invoices to vendors also signs the checks.

**Criteria**

There is opportunity for the person who prepares the checks to have the checks signed by an authorized signer to redirect the checks to a different vendor or different account at the same vendor, thereby embezzling funds.

**Effect**

STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2009

The risk for abuse of disbursements is high because of the weakness in controls.

**Cause**

This issue may not have been previously reviewed.

**Recommendation**

We recommend the segregation of duties and checks and balances associated with disbursements be reviewed and improved to reduce the risk of malfeasance.

**Management Response**

This is being addressed and will be changed.

**06-14—PAYROLL CONTROLS**

**Statement of Condition**

During our testing of controls of the payroll function, we determined there is no independent review of payroll to monitor the accuracy of pay rates, proper deductions, timely payroll tax deposits and payroll reporting to the state and federal tax authorities.

**Criteria**

Payroll is one of the most significant areas of cash disbursements and strong segregation of duties or compensating controls to monitor the accuracy of this function is highly important.

**Effect**

Errors or opportunity for fraud is at high risk in this area because of the weakness in internal controls and segregation of duties.

**Cause**

Internal controls in this area may not have been considered.

**Recommendation**

We recommend the internal controls or compensating controls be improved in the payroll function.

**Management Response**

This has been changed, controls will be improved.

**06-15—INDEPENDENT CONTRACTOR PROCUREMENT WEAKNESSES**

**Statement of Condition**

We noted that a board member provided accounting services to the District received 10 payments totaling \$18,793.68 as an independent contractor but the annual increases paid to her were not authorized.

**Criteria**

Controls over procurement and authorization of professional services should be documented and implemented. The documentation and implementation of professional

STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2009

services from related parties takes on additional importance to avoid the appearance of a conflict of interest in providing services.

**Effect**

Abuse in the area of procurement and payment to independent contractors is at a higher risk without proper procurement controls and proper authorization.

**Cause**

Unknown.

**Recommendation**

We recommend that the District's procurement policies and procedures be reviewed and updated and implemented.

**Management Response**

Although the Board minutes did not document that raises were approved by the Board, the Board ratified the Personnel Committee's recommendation. Better documentation will be done in the Board minutes.

**06-16—CHANGING PRIOR YEAR TRANSACTIONS**

**Statement of Condition**

During our review of the audit trail report in the District's QuickBooks, we noted that there were prior period entries to cash and retained earnings for grants.

**Criteria**

When changes to an entry are made, the original entry should not be altered without an adequate audit trail. It is strongly recommended that a subsequent correcting entry be made rather than changing the original entry.

**Effect**

Altering transactions in the general ledger indicates a lack of internal controls and will affect the subsequent year's reconciliation of net assets as balance sheet amounts have been altered any oversight and activity and net assets/fund balance amounts cannot be relied on.

**Cause**

It appears to be a lack of training and monitoring of recording transactions properly in the general ledger or possibly malfeasance.

**Recommendation**

Altering original entries in the general ledger should be prohibited. If changes need to be made to original entries, an audit trail should be created with memos that explain why the changes were made. If these changes affect prior years, the adjustment should include changes to the equity account so the reconciliation of net assets can be transparent rather than covered up.

**Management's Response**

This process will be changed.

STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2009

**06-17—CASH DISBURSEMENTS—LACK OF SEGREGATION OF DUTIES  
/INTERNAL CONTROL WEAKNESSES**

**Statement of Condition**

During our interviews about the organization's internal controls and subsequent testing of internal controls of cash disbursements, we determined the following weaknesses:

The Accountant does the following or has the opportunity to:

1. Prepare checks in the accounting software
2. Access to the check stock
3. Print out the checks or manually write
4. Does not prepare a proper reconciliation of the bank accounts
5. No one reviews the monthly bank reconciliations

**Criteria**

Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 112 and its appendix require strong internal controls and these deficiencies and weaknesses are required to be disclosed to management and the governing board.

The combination of control deficiencies and lack of segregation of duties increases the opportunity for material misstatements in the financial statements and/or fraud has collectively resulted in a material weakness for the District and has contributed to the auditor's disclaimer of an opinion.

Improving internal controls reduces the opportunity for mistakes or errors to take place or to be identified and corrected in a timely manner and for reducing the opportunity for fraud to take place.

**Effect**

Because one person has control over all of the areas cited in the "Statement of Condition" above, and the lack of monitoring, the opportunity is significantly high to misappropriate funds and/or make errors through cash disbursements that may go undetected because of the weak control activities associated with lack of safeguarding of cash and the lack of monitoring of the bank account.

**Cause**

Controls have not been put in place.

**Recommendation**

The District must implement segregation of duties and other controls to reduce the risk of fraud and material error in the financial statements.

**Management Response**

The official mailing address for the Edgewood SWCD is PO Box 1050. Box 1049 will no longer be listed to receive mail for the District. All bills will go directly to the District

STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2009

Manager for verification of purchase and signature. An invoice will then be attached to the approved bills and given to bookkeeper. Bookkeeper will write checks, and have 2 board members sign voucher and checks. Copies of checks and bills will be made and placed with original voucher, and bills mailed. Original vouchers with attached documentation will be given back to District Manager for filing at District Office.

**06-18—NEW MEXICO GROSS RECEIPTS TAX PAID ON EXEMPT PURCHASES**

**Statement of Condition**

The District paid New Mexico gross receipts taxes on 5 transactions in our tests of 62 disbursements totaling \$1,194.56 that are exempt from gross receipts tax.

**Criteria**

Governmental agencies are exempt from NMGRS on the purchase of tangible personal property in accordance with 7-9-54 NMSA 1978.

**Cause**

Personnel who made the purchases were not aware of the exemption or did not review the purchase documentation to ascertain that NMGRS was not applied to the transaction.

**Effect**

The District overpaid for certain purchases.

**Recommendation**

We recommend that the District inform all employees of the policy regarding the exemption from NMGRS and also review all purchases to ensure that NMGRS is not included in the purchase.

**Management Response**

District Manager will submit required forms to all vendors to establish tax exempt status.

**06-21—POOR BUDGET CONTROLS**

**Statement of Condition**

Actual expenditures exceeded budgeted expenditures within a category in the General Fund for the following amounts:

Dues	\$	(13,997)
Conservation		(27,250)
Meetings		(3,960)
Office		(6,934)
Travel and fuel		(11,157)
Interest payments - debt service		(181)

STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2009

Although the legal level of the budgetary control is at the total fund level, the negative balances by accounts indicates that budgets are not being properly monitored and adjusted throughout the year.

At the total fund level, the District overspent the approved budget by \$47,294.

**Criteria**

The monitoring and adjusting the budget throughout the year is one of the most important controls over expenditures that an organization has.

**Effect**

Expenditures of the organization can be improperly posted or budget overruns can occur.

**Cause**

It appears to be lack of monitoring of the District for possible budget overruns.

**Recommendation**

Management should review the financial statements on a timely basis, ask questions about variances that are out of line of expectations, and make adjustments to budget line items when appropriate.

**Management Response**

Bookkeeper will submit full financial reports to the Board of Supervisors monthly prior to board meeting with a budget report showing year to date expenditures to ensure that expenditures do not exceed budget.

**06-24—AUDIT REPORT NOT SUBMITTED TIMELY**

**Statement of Condition**

The District audit reports for the years ended June 30, 2009, 2010, and 2011 were not completed by the required due date of December 1<sup>st</sup> per the NM State Audit Rule nor by December 1, 2012 per our signed contract.

**Criteria**

Audit reports rejected and not resubmitted before the due date are considered to be late submissions under 2.2.2.9 E of the NM State Audit Rule.

**Effect**

Information was not timely audited and reviewed by management and the board and has caused problems with the District's ongoing need for audited financials to make informed management decisions and to submit audited financials for the purpose of pursuing grants.

**Cause**

The District was unable to obtain its prior audit timely and did not have its books and records ready for their audits.

STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2009

**Recommendation**

The District should ensure its books and records are ready to be audited.

**Management Response**

Delays in issuance of the prior year audits and turnover in the District led to the late audits. The District is prepared to catch up 2009-2011, 2012, and 2013 audits this year.

**07-01—FLEET FUEL PURCHASES NOT PROPERLY APPROVED**

**Statement of Condition**

\$350.56 tested for fuel purchases showed that the payments were made from a statement that did not identify the employees that made the purchases, the business purpose of the purchases and lacked proper approval. Receipts did not accompany the statement.

**Criteria**

U.S. generally accepted accounting principles dictate sound controls for significant activities such as procurement. In addition, in most instances state procurement policies require proper authorization by District personnel prior to the commitment of District funds in accordance with 6-6-3 NMSA 1978.

**Cause**

The District is not reviewing its purchases for proper approval.

**Effect**

The District may be paying for purchases that are not obligations of the District.

**Recommendation**

We recommend that the District review all purchases for correct details and proper approval of the purchases.

**Management Response**

Every transaction for fuel purchase currently is being tracked by Fleet Fuel. Each employee has their own pin or each vehicle, and mileage reading for specific vehicle must be entered into the system prior to purchasing fuel.

**07-03—LACK OF APPROVAL FOR SERVICES OF RELATIVES**

**Statement of Condition**

The children of the manager were hired to perform contractual “day labor” services without proper approval on the purchase voucher and the checks were endorsed by the manager. There were 33 payments totaling \$9,702.77.

**Criteria**

U.S. generally accepted accounting principles dictate sound controls for significant

STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2009

activities such as procurement. In addition, in most instances state procurement policies require proper authorization by District personnel prior to the commitment of District funds in accordance with 6-6-3 NMSA 1978.

**Cause**

The District is not reviewing its purchases for proper approval in accordance with State procurement requirements.

**Effect**

The District may be paying for services without proper authorization in violation of the State procurement code.

**Recommendation**

We recommend that the District review all payments for proper approval of the purchases.

**Management Response**

Manager no longer signed "time cards." Day to day supervision was done by the Technician, therefore she signed and approved work completed. If she was not available, the Chairman signed and approved.

**08-01— BANK ACCOUNTS AND RECONCILIATIONS**

**Statement of Condition**

The bank statements and reconciliations were not on file for 2009. The District had 2 CD accounts totaling \$24,897.04 and 1 Grant account of \$6,194.60 that were not reconciled during the year. Transactions were not always recorded in QuickBooks under the proper cash account. Unreconciled cash amounts are being reported to NM Department of Finance Administration's (DFA) Local Government Division (LGD). Additionally, no bank statements were able to be located on file for the First Community Bank grant account and 5 of 37 voided checks could not be located. The District was able to provide bank statements obtained from financial institutions during the audit.

**Criteria**

Bank statements and reconciliations should be reviewed and properly filed and available for review by the auditors. NM State Statutes NMSA 6-6-3 defines that it is the local public body's duty keep books, records, and accounts. NMSA 6-3A-9 requires quarterly reports to be submitted to DFA within 30 days month end based on actual performance, including reconciled cash balances. Additionally, NMSA 6-10-2 states it is the duty of every public official or agency of this state that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each day's business. Except as may be otherwise provided by law, the cash record is a public record and is open to public inspection.

**Effect**

Crucial information was not available for review by the auditors and is considered a



STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2009

scope limitation that has impact on the opinion given on the audited financial statements.

**Cause**

The bank statements appeared to have been misplaced. The District experienced turnover and these accounts have not been corrected/reconciled.

**Recommendation**

Controls over the cash function should be improved. In addition to the reviews currently being performed on financial statements and bank statements, we recommend that the District ensure proper training, knowledge of bookkeeping and cash requirements.

**Management Response**

All correspondence is now being sent to the official location of the Edgewood District, which is to PO Box 1050, including bank information.

Bank statements are now being opened by the Secretary/Treasurer and signed prior to copying for each board member to review at each board meeting.

**09-01 – LACK OF SUPPORT AND TIMELINESS OF DEPOSITS**

**Statement of Condition**

Out of 9 deposits tested, 4 totaling \$40,854.00 lacked supporting documentation. Additionally, we noted that the District is not making deposits by the close of the next business day.

**Criteria**

Proper accounting policies and internal control procedures require that supporting information be provided to verify that records are consistent with the policies of the District in accordance with 6-6-3 NMSA 1978.

Per the State of New Mexico Manual of Model Accounting Practices, Section FIN2.1-8 and Sections 6-10-2, 3, 13, NMSA 1978, agencies must deposit all monies received with the STO or with the authorized banking institution by the close of the next business day after receipt.

**Effect**

Untimely deposits leave the District vulnerable to misappropriations of funds.

**Cause**

The District was unaware of this requirement.

**Recommendation**

We recommended that the District implement controls to ensure monies are deposited into a banking institution by the close of the next business day.

**Management Response**

Checks are collected for seed, tree and book sales. Deposits are made when collected. If a large tree or seed sale, deposits are held until the end of the sale to ensure all stock is

STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2009

picked up. In cases where the stock may not be picked up for different reasons, the checks are returned, uncashed to the landowner.

**09-02 – LACK OF CONTROLS OVER FINANCIAL REPORTING**

**Statement of Condition**

According to Statement on Auditing Standards (SAS) 115 identification by the auditor of a material misstatement of the financial statements under audit, in circumstances that indicate that the misstatement would not have been detected by the entity's internal control, is considered a material weakness. Specifically, in FY09, the audit resulted in material adjustments to Accounts Receivable of \$47,424, Due to Other Entities/Cash \$12,041, and Grant Revenue \$66,928. Additionally, the financial statements and related disclosures are not being prepared by the District.

**Criteria**

Some of the key underlying concepts of SAS 115 include:

- The auditor cannot be part of a client's internal control because becoming part of a client's internal control impairs auditor independence;
- The auditor's work is independent of the client's internal control over financial reporting, and the auditor cannot be a compensating control for the client; and
- A system of internal control over the financial reporting does not stop at the general ledger – it includes controls over the presentation of the financial statements.

Recording adjustments is considered a significant process of internal control and should be performed by District staff. The District's system of internal control should include controls over financial statement preparation, including footnote disclosure.

**Effect**

An internal control weakness in maintaining the general ledger exists because material adjustments were identified by the auditor and not by District staff. As a result, periodic financial statements reviewed by management and the governing body may be materially inaccurate. Insufficient controls over the preparation of financial statements and related disclosures limits the District's ability to prevent or detect a misstatement in its financial statements.

**Cause**

Internal control procedures were not effective in identifying and correcting material errors. The District does not have the personnel or time to prepare the financial statements and related disclosures.

**Recommendation**

We recommend that the District make adjustments to their general ledger in a timely manner and receive training on bookkeeping and financial reporting.

**Management Response**

We concur with the independent auditors' recommendations and plan to strengthen our adjusting journal entry internal controls, in addition to acquiring appropriate training for staff.

STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2009

**09-03 – SOCIAL SECURITY COVERAGE**

**Statement of Condition**

The District participates in Public Employees Retirement Association (PERA), which constitutes a qualified retirement plan. Because the District is affiliated with PERA but not covered by any modification, they did not have authority to withhold Social Security taxes. As a result, during 2010-2012, employees were reimbursed \$22,086 and gave authorization to the District to file for refunds from the IRS. In February 2012, the District was reimbursed \$40,859.

**Criteria**

As a general matter, a public employer which participates in a qualified retirement plan may only provide Social Security coverage to its employees through a modification to the State's Section 218 Agreement with the federal government.

**Effect**

The District improperly withheld Social Security taxes and had to reimburse employees and file for refunds.

**Cause**

The District was unaware of this requirement.

**Recommendation**

We recommend that the District ensure proper training and knowledge of payroll requirements.

**Management Response**

Once the District was made aware of the rule from PERA in 2011, staff held an election of coverage and both staff members waived the social security inclusion, and have been reimbursed as of February 2012.

**STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2009**

An exit conference was held in a closed session on August 1, 2013. In attendance were the following:

Representing ESWCD

Mr. David King	Chairperson
Mr. Lewis Fisher	Vice Chairman
Mr. Bill King	Secretary/Treasurer
Mr. Leo Smith	Supervisor
Mr. Art Swenka	Supervisor
Ms. Brenda Smythe	District Manager
Ms. Kelly Smith	District Technician

Representing Hinkle + Landers, PC

Ms. Audrey J. Jaramillo, CPA, CFE	Independent Auditor
-----------------------------------	---------------------

**FINANCIAL STATEMENTS**

The financial statements of the District as of June 30, 2009, were substantially prepared by Hinkle + Landers, PC; however, the financial statements are the responsibility of management.