



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

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

**INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENT  
June 30, 2012**



**STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT  
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For The Year Ended June 30, 2012**

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

**OFFICIAL ROSTER**  
**As Of June 30, 2012**

<u><b>Board of Supervisors</b></u>	<u><b>Position</b></u>	<u><b>Elected/Appointed</b></u>
David King	Chairperson	Elected
Lewis Fisher	Vice-Chairperson	Elected
Bill King	Secretary/Treasurer	Elected
Leo Smith	Member	Elected
Mark Anaya	Member	Elected
Art Swenka	Member	Appointed
Juan Sanchez	Member	Appointed

  

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

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the general fund and the budgetary comparison of the general fund of the Edgewood Soil and Water Conservation District (District) as of and for the year ended June 30, 2012 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly we express no such opinion. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Edgewood Soil and Water Conservation District, as of June 30, 2012, and the respective changes in financial position, where applicable, thereof 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.

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 basic 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 11, 2014 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

*Hinkle & Landers, P.C.*

Hinkle + Landers, P.C.  
Albuquerque, NM  
August 11, 2014

**STATE OF NEW MEXICO**  
**EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**As of June 30, 2012**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
<b>Current</b>	
Cash and investments	\$ 253,284
Taxes receivable	68,946
Inventory	11,658
Total current assets	<u>333,888</u>
<b>Non current</b>	
Capital assets, not being depreciated	606,511
Capital assets being depreciated, net	631,370
Capital assets, net of accumulated depreciation	<u>1,237,881</u>
Total assets	<u><u>\$ 1,571,769</u></u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 6,752
Accrued payroll	3,307
Compensated absences	7,380
Note payable - current portion	19,868
<b>Total current liabilities</b>	<u>37,307</u>
<b>Long-term liabilities</b>	
Note payable	303,206
Compensated absences - long term portion	-
<b>Total long-term liabilities</b>	<u>303,206</u>
<b>Total liabilities</b>	<u><u>340,513</u></u>
<b>Net position</b>	
Net investment in capital assets	914,807
Unrestricted	316,449
<b>Total net position</b>	<u>1,231,256</u>
<b>Total liabilities and net position</b>	<u><u>\$ 1,571,769</u></u>

See accompanying independent auditor's report and notes to financial statements.

**STATE OF NEW MEXICO**  
**EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2012**

<b>Program Expenses</b>	<b>Governmental Activities</b>
Conservation:	
Building expense	\$ 50,642
Conservation	260,561
Contract services	11,645
Dues and subscriptions	3,150
Insurance	6,334
Meetings	17,345
Miscellaneous	12,998
Office expense	27,159
Payroll and benefits	95,831
Professional fees	193
Interest	8,366
Travel and fuel	14,391
Depreciation	39,950
Total program expenses	548,565
<b>Program Revenues</b>	
Conservation sale items	17,234
Other	52,972
Total program revenues	70,206
Net program (expense) revenue and changes in net position	(478,359)
<b>General Revenues</b>	
Property taxes	410,043
Appropriations	8,384
Water trust board	9,351
Grants	123,853
Interest	55
Total general revenues	551,686
Change in net position	73,327
Net position at beginning of year	1,157,929
<b>Net position at end of year</b>	<b>\$ 1,231,256</b>

See accompanying independent auditor's report and notes to financial statements.



**STATE OF NEW MEXICO**  
**EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**As of June 30, 2012**

		General Fund
<b>Assets</b>		
Cash and investments	\$	253,284
Property taxes receivable		68,946
Inventory		11,658
Total assets	\$	333,888

**Liabilities and Fund Balance**

<b>Liabilities</b>		
Accounts payable	\$	6,752
Accrued payroll		3,307
Total liabilities		10,059
Deferred inflows of resources		56,802
<b>Fund balance:</b>		
Nonspendable - inventory		11,658
Unassigned		255,369
Total fund balance		267,027
Total liabilities and fund balance	\$	333,888

**Reconciliation of the Governmental Funds Balance to Statement of Net Position**

Total fund balance governmental funds	\$	267,027
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,237,881
Other current liabilities (notes payable) are not available to pay for current period expenses but will be paid in a future period.		(19,868)
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		(303,206)
Compensated absences		(7,380)
Some revenue is deferred in the funds but accrued as revenue in the government-wide statements and added to net position.		56,802
Net position of governmental activities	\$	1,231,256

See accompanying independent auditor's 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, 2012**

	<u>General Fund</u>
<b>Revenues</b>	
Property taxes	\$ 362,232
Conservation sale items	17,234
Appropriations	8,384
Water trust board	9,351
Rent	12,000
Grants	123,853
Other	40,972
Interest	<u>55</u>
Total revenues	<u>574,081</u>
<b>Expenditures</b>	
<b>Current: Conservation:</b>	
Building expense	50,642
Conservation	260,561
Contract services	11,645
Dues and subscriptions	3,150
Insurance	6,334
Meetings	17,345
Miscellaneous	19,264
Office expense	27,159
Payroll and benefits	97,541
Travel and fuel	8,165
Professional services	193
<b>Non-current</b>	
<b>Debt Service</b>	
Principal payments - debt service	19,414
Interest payments - debt service	8,366
<b>Capital outlay</b>	<u>23,175</u>
Total expenditures	<u>552,954</u>
Excess (deficiency) of revenues over expenditures before other financing sources	21,127
<b>Other financing sources - None</b>	
Net change in fund balance	<u>21,127</u>
Fund balance beginning of year	<u>245,900</u>
Fund balance end of year	<u>\$ 267,027</u>

**Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities:**

Net change in fund balance - Governmental Funds	\$ 21,127
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	(39,950)
Capital outlay included as additions in capital assets	23,175
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.	
	1,710
Principal payments on notes payable included in governmental funds but not in the statement of activities	
	19,414
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as revenue in the governmental funds: deferred inflows.	
Change in net position - Statement of Activities	<u>47,851</u>
	<u>\$ 73,327</u>

See accompanying independent auditor's 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, 2012**

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Property taxes	\$ 320,000	320,000	375,936	55,936
Grants	100,000	100,000	123,853	23,853
Other	-	-	40,972	40,972
Conservation sale items	30,000	30,000	25,357	(4,643)
Rent	7,200	7,200	12,000	4,800
Water trust board	20,000	20,000	9,351	(10,649)
Appropriations	10,000	10,000	8,384	(1,616)
Interest	300	300	22	(278)
Total revenues	<u>487,500</u>	<u>487,500</u>	<u>595,875</u>	<u>108,375</u>
Other financing sources - capital outlay	-	-	-	-
Total revenues	<u>\$ 487,500</u>	<u>487,500</u>	<u>595,875</u>	<u>108,375</u>
<b>Expenditures</b>				
<b>Current</b>				
Conservation	220,000	220,000	260,283	(40,283)
Payroll and benefits	105,000	105,000	108,714	(3,714)
Building expense	\$ 50,000	50,000	50,642	(642)
Office expense	20,000	20,000	28,098	(8,098)
Miscellaneous	2,718	2,718	21,520	(18,802)
Meetings	10,000	10,000	17,795	(7,795)
Contract services	15,000	15,000	11,709	3,291
Travel and fuel	20,000	20,000	12,237	7,763
Insurance	4,000	4,000	6,334	(2,334)
Dues and subscriptions	3,000	3,000	2,295	705
Professional services	10,000	10,000	193	9,807
<b>Capital outlay</b>	-	-	14,226	(14,226)
<b>Debt service</b>				
Principal payments - debt service	19,416	19,416	19,414	2
Interest payments - debt service	8,366	8,366	8,366	-
Total expenditures	<u>\$ 487,500</u>	<u>487,500</u>	<u>561,826</u>	<u>(74,326)</u>
Excess (deficiency) of revenues over (under) expenditures			\$ 34,049	
Reconciliation of Non-GAAP Budget to GAAP				
To adjust applicable revenue accruals			(30,785)	
To adjust applicable expenditures accruals			<u>17,863</u>	
Change in fund balance (GAAP Basis)			<u>\$ 21,127</u>	

See accompanying independent auditor's 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, 2012**

**NATURE OF BUSINESS AND 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). 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.

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Basic Financial Statements – GASB Statement No. 34**

The financial statements of the District have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Governmental Account Standards Board (GASB) is the accepted Standard-setting body for establishing governmental Accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental

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units. The more significant of the District's accounting policies are described below.

General Revenues (General Fund appropriation, transfers-in from other state agencies, Federal aid, etc.) normally cover the net cost (by function). Historically, the previous model did not summarize or present net cost by function or activity.

This government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous accounting model.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the District's actual experience conforms to the budget of fiscal plan. Since the governmental fund statements are presented on a different focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements in to the governmental column on the government-wide presentation.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with specific function or segment. *Program revenues* derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry as a whole and include operating grants and contracts that are restricted to meeting the operational necessities of a particular compliance grant requirement. The District allocates its indirect costs to each of its programs based on an indirect cost allocation plan.

## **2. Basis of Presentation**

The financial transactions of the District are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows and outflows, fund balance, revenues, expenditures and other financing sources or uses.

Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by the type and reported by generic classification the accompanying financial statements.

GASB Statement No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, deferred outflows, liabilities, deferred inflows, revenues or expenditures. The general fund is always considered a major fund. The District has only one fund, which is the General Fund.

### **GASB Statement 54**

In February 2009 the GSB issued Statement No.54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund

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**NOTES TO THE FINANCIAL STATEMENTS**  
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balance information by providing clearer fund balance classifications that can be more consistently applied. GASB 54 also clarifies governmental fund type definitions.

The fund balance amounts for governmental funds included in this report have been reclassified in accordance with GASB 54. As a result, in the governmental fund financial statements, fund balances previously reported as reserved and unreserved are now reported according to a hierarchy of classifications established in GASB 54, which are based on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in that fund can be spent.

GASB 54 fund balance classifications include:

- Nonspendable** – amounts cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact;
- Restricted** – amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation;
- Committed** – amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature and the Executive branches;
- Assigned** – constrained by the government’s intent to be used for specific purposes;
- Unassigned** – the residual classification for remaining amounts after all other classifications have been considered.

**Net Position**

The government-wide financial statements utilize a net position presentation. Net Position is categorized as: *Investment in capital assets* (net of related debt), *restricted* and *unrestricted*. *Investment in Capital Assets* (net of related debt) is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position reflects the portion of net position that has third party limitations on their use. *Unrestricted (Deficit) Net Position* represents net position of the District that is not restricted for any project or other purpose.

The government-wide statement of net position reports no restricted net position, except what is related to an MOU. If there were other restricted net position amounts they should be reviewed for consideration of being restricted by enabling legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment, which may be based on actions such as analyzing the legislation to determine if it meets the qualifying criteria for enabling legislation, reviewing determinations made for similar legislation of the government or other governments, or obtaining the opinion of legal counsel. However, enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur. The determination of legal enforceability should be based on the underlying facts and circumstances surrounding each individual restriction. The determination that a particular restriction is not legally enforceable may lead a government to reevaluate the legal enforceability of similar enabling legislation restrictions, but should not necessarily lead a government to conclude that all enabling legislation restrictions are unenforceable.

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**EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District has no deferred outflows of resources during fiscal year 2012 on the government wide or fund financials.

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applied to a future period and so will not be recognized until then. The District has the following deferred inflows of resources during fiscal year 2012 on the fund financials: \$56,802 related to deferred revenue that was not available to the District in 60 days after year end.

**3. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The statement of net position and the statement of activities are prepared 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 the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. By definition, the resources of fiduciary funds are not available to support District programs. Therefore, fiduciary funds are excluded from the government-wide financial statements.

All governmental funds are accounted for using the *modified accrual basis* of accounting and the *current financial resources measurement focus*. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which is considered to be within sixty days of year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, which was also adopted as of July 1, 2001 by the District, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met, resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

**4. Governmental Funds**

**General Fund**—The general operating fund of the District is used to account for all financial resources.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2012**

**5. Inventory**

Inventory consisting primarily of 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 the individual inventory items are used.

**6. 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 three 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.

**7. Taxes Receivable**

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; all are deemed collectible therefore, no allowance for doubtful accounts is recorded.

**8. Accounts Payable**

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

**9. 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
Land	Perpetual

**10. 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. Accrued vacation at June 30, 2012 was \$7,380.

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.



**STATE OF NEW MEXICO  
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2012**

**11. 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.

**B. Cash and Investments**

As of June 30, 2012, the District's total carrying amount of deposits was \$253,284. The bank balances were fully insured by federal depository insurance throughout the year. The locations and amounts deposited at each of the financial institutions at June 30, 2012 are as follows:

	<b>Wells Fargo Bank</b>	<b>First Community Bank</b>	<b>Total</b>
Demand deposits per bank	\$ 243,302	4,854	248,156
Less: FDIC insurance	(243,302)	(4,854)	(248,156)
Uninsured balance	\$ -	-	-
Certificates of deposit	24,927	-	24,927
Less: FDIC insurance	(24,927)	-	(24,927)
Uninsured balance	-	-	-
Total uninsured balances	\$ -	-	-
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)	\$ -	-	-

**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.

**STATE OF NEW MEXICO**  
**EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2012**

**C. Capital Assets**

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

Description	Balance	Additions	Deletions	Balance
	2011			2012
<b>Capital assets not being depreciated</b>				
Land	\$ 606,511	-	-	606,511
Total capital assets not being depreciated	\$ 606,511	-	-	606,511
<b>Capital assets being depreciated</b>				
Building	\$ 674,813	8,949	-	683,762
Equipment	114,838	-	(1,700)	113,138
Vehicles	37,256	14,226	(1,535)	49,947
Total capital assets being depreciated	826,907	23,175	(3,235)	846,847
Total capital assets	\$ 1,433,418	23,175	(3,235)	1,453,358
<b>Less accumulated depreciation for:</b>				
Building	\$ (85,294)	(20,626)	(353)	(106,273)
Equipment	(65,063)	(10,360)	813	(74,610)
Vehicles	(28,443)	(8,964)	2,813	(34,594)
Total accumulated depreciation	(178,800)	(39,950)	3,273	(215,477)
Capital assets, net	\$ 1,254,618	(16,775)	38	1,237,881

Depreciation for the year ended June 30, 2012 was \$39,950.

**D. Long-Term Debt**

Long-term debt activity for the year ended June 30, 2012 was as follows:

Description	Balance	Additions	Deletions	Balance	Amount
	2011			2012	Due Within One Year
NMFA Mortgage	\$ 342,490	-	(19,416)	323,074	19,868
Compensated Absences	9,090	4,874	(6,584)	7,380	7,380
	\$ 351,580	4,874	(26,000)	330,454	27,248

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, 2012 was \$323,074

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Minimum principal payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	19,868	7,916	27,784
2014	20,278	7,506	27,784
2015	20,714	7,070	27,784
2016	21,171	6,613	27,784
2017	21,651	6,133	27,784
2018-22	116,329	22,541	138,870
2023-26	103,063	6,181	109,244
\$	<u>323,074</u>	<u>63,960</u>	<u>387,034</u>

The interest expense for the year ended June 30, 2012 was \$8,366.

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.

**E. Operating Lease Commitments**

In 2011, the District entered into a 60 month lease commitment on a Toshiba copier. The current monthly rental is \$363. Approximately \$5,512 was expended in the current fiscal year.

As of June 30, 2012 future minimum lease payments for the copier for the following fiscal years are as follows:

2013	\$ 4,356
2014	4,356
2015	4,356
2016	4,356
2017	-
\$	<u>17,424</u>

**F. Net Position**

The District's net position as of June 30, 2012 consisted of \$914,807 (\$1,231,256 – 316,449) net investment in capital assets.

**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. 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 District will share up to 75% of the cost for brush removal.

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**H. 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 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, 2012, 2011, and 2010 are \$5,462, \$4,568 and \$5,029 respectively, equal to the amount of required contributions each year.

**I. Other Employee Benefits**

As of June 30, 2012, the District's employees are not offered a deferred compensation plan or any post employment benefits.

**J. 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 past several years and is not a defendant in any lawsuit.

**K. Related Party Transactions**

Two family members of the District Manager were paid \$3,850 for office and maintenance contract services during the fiscal year. No amounts were due to or from related parties at year-end.

**L. Other Financing Sources**

The District has no other financing sources for the year ended June 30, 2012.

**M. Budget Noncompliance**

The General Fund overspent its budget by \$74,326 which violated state budget controls.



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

We have audited the financial statements of the governmental activities, the general fund, and the budgetary comparison of the general fund of the Edgewood Soil and Water Conservation District (District) as of and for the year ended June 30, 2012, and have issued our report thereon dated August 11, 2014. 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**

Management of the District is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weaknesses. 2012-004.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by

Those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. 06-14, 06-21, 06-24, 2012-001, 2012-002, and 2012-003.

**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 06-21, 06-24, 07-01, and 2012-003.

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.  
Albuquerque, NM  
August 11, 2014

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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2012**

Reference #	Finding	Status of Prior Year Findings	Type of Finding*
<b>PRIOR YEAR</b>			
06-14	Payroll Controls	Repeated	B
06-16	Changing Prior Year Transactions	Resolved	A
06-17	Cash Disbursements - Lack of Segregation of Duties / Internal Control	Resolved	A
06-21	Budget Controls	Repeated	B, G
06-24	Audit Report Not Submitted Timely	Repeated	B, G
07-01	Controls over Travel and Per Diem Disbursements	Repeated	C, G
09-01	Lack of Support and Timeliness of Deposits	Resolved	B, G
11-01	Old Outstanding Checks	Resolved	B
<b>CURRENT YEAR</b>			
2012-001	Employment of Contractors	Current	B
2012-002	Bank Reconciliation Sign-Offs	Current	B
2012-003	Undercollateralized Bank Accounts	Current	B, G
2012-004	Lack of Controls Over Financial Reporting	Current	A

**\* Legend for Type of Findings**

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance to Federal Awards
- G. Compliance with State Audit Rule

**06-14—Payroll Controls**

**Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting**

**Statement of Condition**

During our testing of controls of the payroll function for the District's two employees, 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 error or fraud is at high risk in this area because of the weakness in internal controls and segregation of duties.

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**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2012**

**Cause**

Monitoring 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.

**06-21—Budget Controls**

**Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting and Compliance With State Audit Rule**

**Statement of Condition**

Actual expenditures exceeded budget expenditures in the General Fund by \$74,326.

**Criteria**

Chapter 6 of the New Mexico Statutes Annotated (NMSA) 1978 requires the Local Government Division (LGD), Financial Management Bureau of New Mexico Department of Finance and Administration to make rules and regulations relating to budgets, records, reports, and the disbursement of public monies. Sections 6-6-6 through 6-6-11 NMSA 1978 Compilation prohibits local governments from making expenditures in excess of the approved budget. The LGD interprets Section 6-6-6 to apply to a fund's total budget; if the fund's total budget is overspent, the fund is not in compliance with Section 6-6-6.

**Effect**

The District is in violation of budget controls established for soil and water conservation districts of the State of New Mexico.

**Cause**

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

**Recommendation**

We recommend that the District improve controls to prevent the over-expenditure of fund resources.

**Management Response**

Monthly financial reports will be submitted to the Board of Supervisors prior to the 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**

**Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting and Compliance with State Audit Rule**

**Statement of Condition**

The District audit reports for the year ended June 30, 2012 was not completed by the required due date of December 1 per the NM State Audit Rule. The report was mailed to the office of the State Auditor on September 19, 2014.



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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2012**

**Criteria**

In accordance with NMAC 2.2.2.9(A)(1) the District audit reports are due December 1 of the year being audited. NMAC 2.2.2.9(A)(2) requires that an audit finding must be included as an instance of noncompliance with Subsection A of 2.2.2.9 NMAC.

Also, NMAC 2.2.2.8(G)(6)(c) requires that the District deliver a fully completed and signed IPA Recommendation Form and audit contract by May 15 of the year being audited.

**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.

**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 2012 and 2013 audits this year.

**07-01—Controls over Travel and Per Diem Disbursements**

**Type of Finding: Other Matters Involving Internal Control Over Financial Reporting and Compliance with the State Audit Rule**

**Statement of Condition**

During the testing of transactions, the following control deficiencies were noted related to the travel and per diem disbursement testing for the five transactions tested:

- For three travel and per diem disbursement transactions totaling \$1,351, the approval for travel was not included along with supporting documentation.
- For one travel and per diem disbursement transaction totaling \$782, there was a discrepancy of approximately \$128 in the amount reimbursed and the amount calculated by auditors for the reimbursement.
- For two travel and per diem disbursement transactions totaling \$1,068, the time of departure and time of arrival was not indicated along with supporting travel documentation.
- For one travel and per diem disbursement transaction totaling \$283, the business purpose was not documented and was not indicated in the meeting minutes.

Alternative procedures were performed to determine if the disbursement was valid and proper.

**Criteria**

Per the Regulations Governing the Per Diem and Mileage Act of the New Mexico Administrative Code

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EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2012**

(NMAC 2.42.2.1), the approval for travel should be documented prior the individual's departure, the time of departure, time of arrival, and business purpose should be included along with supporting documentation for the employee's travel. Additionally, the amount of reimbursement should be verified to ensure the employee or board member is not receiving a payment in excess of the amount due. Finally, in instances of reimbursement for mileage the beginning and ending odometer reading should be recorded and included with the supporting documentation.

**Cause**

Edgewood Soil & Water Conservation District has limited staff and has not been properly enforcing travel and per diem reimbursements described in NMAC 2.42.2.1.

**Effect**

Edgewood Soil & Water Conservation District is not in compliance with State compliance regulations.

**Recommendation**

Edgewood Soil & Water Conservation District should implement proper internal control procedures to ensure travel is approved and documented prior to the individual's departure, the time of departure, time of arrival, business purpose, and all related receipts have been included with the request for reimbursement. Additionally, the Edgewood Soil & Water Conservation District should implement additional controls to ensure an individual is not receiving an overpayment or underpayment for their travel expenses. Finally, Edgewood Soil & Water Conservation District Management should ensure the beginning and ending odometer reading has been included with the reimbursement request for mileage.

**Management Response**

A check-list sheet will be implemented to insure that all required documentation is attached for reimbursements.

**2012-001 – Employment of Contractors**

**Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting**

**Statement of Condition**

During the testing of transactions, the auditors reviewed several disbursements made out to independent contractors. Upon inquiry with management, it appears that the entity may be improperly classifying these workers as contractors, rather than employees.

**Criteria**

According to the IRS, the following 11 factors are taken into consideration to determine a worker's status as an employee:

- The worker has regular hours
- The worker works on-site
- The worker is salaried
- The worker receives benefits from the employer
- The worker only works the company

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**SCHEDULE OF FINDINGS AND RESPONSES  
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- The worker and the employer has a long-term work relationship
- The company supervises the worker
- The employer provides training to the worker
- The employer sets the worker's hours
- The employer sets the worker's hourly rate
- The employer provides tools and/or equipment to the worker

The following nine factors identified by the IRS determine a worker's status as an independent contractor:

- The worker works off-site
- The worker has irregular work hours
- The worker invests in tools and/or equipment for use in job
- The worker has the ability to report a profit or loss from the job
- The worker pays for their own expenses
- The worker and employer has a contract in place for their services
- The worker can hire others to complete the task on their behalf
- The work relationship relates only to the contract work
- The worker performs similar projects for other companies

**Cause**

Edgewood Soil & Water Conservation District has employed all of its workers, other than its two staff members, as independent contractors.

**Effect**

There is an increased risk that the IRS could impose a tax penalty for noncompliance with these standards and the entity could accumulate a greater payroll tax liability if selected for an IRS audit.

**Recommendation**

We recommend Edgewood Soil & Water Conservation District to review the guidelines regarding classifying a worker as a contractor or an employee and adjust its policies accordingly.

**Management Response**

The Budget Committee will review this year's budget to see whether the budget allows this contractor to be transferred as an employee.

**2012-002 – Bank Reconciliation Sign-Offs**

**Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting**

**Statement of Condition**

Edgewood Soil & Water Conservation District does not indicate that bank reconciliations are being reviewed in a timely manner by an authorized individual.

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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2012**

**Criteria**

The NMSA 2.20.5.8 Accounting by Governmental entities, Responsibility for Accounting Function requires that cash account records are reconciled timely each month to the division's reports and to the state treasurer's reports. Effective internal controls and procedures require timely and accurate reconciliation to ensure cash transactions completely and accurately recorded in general ledger. Once the cash reconciliation has been performed it must be signed and dated to provide proof the account was actually reconciled.

**Cause**

Edgewood Soil & Water Conservation District has limited personnel and has not adopted a policy to ensure review of bank reconciliations for all accounts are performed in a timely manner.

**Effect**

There is an increased risk of the possibility of an unauthorized transaction to go unnoticed if the bank statements are not reviewed.

**Recommendation**

We recommend Edgewood Soil & Water Conservation District implements policies and procedures regarding monitoring of cash reconciliations.

**Management Response**

The Bank Reconciliations are reviewed at every board meeting along with the bank statements, every check written and every deposit made. The Secretary Treasurer will sign the bank statements and reconciliations during every meeting.

**2012-003– Under Collateralization of Bank Accounts**

**Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting and Compliance with State Audit Rule**

**Statement of Condition**

The District operating bank account was undercollateralized by \$19,180 for the month of February 2012 and by \$7,879 for the month of March 2012.

**Criteria**

Section 6-10-17 NMSA 1978 requires 50% collateral requirement for the District's monies deposited in each financial institution.

**Effect**

The District is not in compliance with 6-10-17 NMSA 1978.

**Cause**

The District does not carry collateral on its bank accounts.

**Recommendation**

The District should maintain collateral for its bank accounts as required by 6-10-17 NMSA 1978.

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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2012**

**Management Response**

The Board and District Manager will insure that the monthly account balance stays under the maximum allowable for collateralization through Wells Fargo Bank.

**2012-004 – Lack of Controls Over Financial Reporting**

**Material Weakness in Internal Control Over Financial Reporting**

**Statement of Condition**

According to Statement of 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. During the year ended June 30, 2012 the audit resulted in adjustments to receivables

\$68,946, inventory \$11,658, accounts payable \$6,752 and depreciation expense \$39,950.

**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 including receivables, inventory, payables, accrued liabilities and depreciation expense.

**Management Response**

All adjustments will be completed from now on by our bookkeeping over-site (Zlotnick & Sandoval).

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EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT**

**EXIT CONFERENCE  
For the Year Ended June 30, 2012**

An exit conference was held in a closed session on August 11, 2014, at the District's offices in Moriarty, New Mexico. In attendance were the following:

Representing ESWCD

David King	Chair
Lewis Fisher	Vice-chair
Bill King	Secretary/Treasurer
Brenda Smythe	District Manager
Kelly Smith	District Technician
Ben Montoya	Internal Auditor

Representing Hinkle + Landers, P.C.

Farley Vener, CPA, CFE	Independent Auditor
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**FINANCIAL STATEMENTS**

The financial statements of the District as of June 30, 2012, were substantially prepared by Hinkle + Landers, P.C.; however, the financial statements are the responsibility of management.