

State of New Mexico
OFFICE OF THE STATE AUDITOR

STATE OF NEW MEXICO

**GUADALUPE SOIL AND WATER CONSERVATION
DISTRICT**

FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2005

(With Independent Auditor's Report Thereon)



Domingo P. Martinez, CGFM
State Auditor

STATE OF NEW MEXICO
GUADALUPE SOIL AND WATER CONSERVATION DISTRICT

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OFFICIAL ROSTER
JUNE 30, 2005

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STATE OF NEW MEXICO
GUADALUPE SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
Albert Perez	Chairperson
M. Dominic Perez	Vice-Chairperson
Charles Serrano	Secretary/Treasurer
Alfredo Flores	Supervisor
Secundino Rivera	Supervisor

<u>District Personnel</u>	<u>Title</u>
DeLores Noe	District Clerk



State of New Mexico

OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

Carl M. Baldwin, CPA, CFE
Deputy State Auditor

INDEPENDENT AUDITOR'S REPORT

Mr. Albert Perez, Chair
and Members of the Board of Supervisors
Guadalupe Soil and Water Conservation District
586 South Ninth Street
Santa Rosa, New Mexico 88435

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District as of June 30, 2005, and the respective changes in financial position, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented the Management's Discussion and Analysis required by *GASB Statement No. 34* that the Governmental Accounting Standards Board has

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determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 10, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Office of the State Auditor

OFFICE OF THE STATE AUDITOR

February 10, 2006

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

Exhibit 1

	Governmental Activities
Assets	
Cash	\$ 80,670
Taxes receivable	2,465
Accounts receivable	510
Interest receivable	121
Total assets	83,766
Liabilities	
Accounts payable	421
Total liabilities	421
Net Assets	
Unrestricted	83,345
Total net assets	\$ 83,345

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

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

Exhibit 2

	Governmental Activities
Program Expenses:	
Conservation:	
Project Expenses	\$ 676
Demonstration project	38
Information & education	2,959
Conservation material	3,523
Contract Services	6,178
Supervisor meeting expense	7,155
Office expense	630
Advertising	193
Per diem & travel	3,776
Meeting expense	1,360
Bond	100
Dues	580
Capital Outlay	546
Total program expenses	27,714
Program Revenues:	
Charges for services	2,806
Total program revenues	2,806
Net program (expense) revenue	(24,908)
General Revenues:	
NMDA allotment	8,797
Property taxes	21,865
Donation	25
Interest	.217
Total general revenues	30,904
Change in net assets	5,996
Net assets at beginning of year	77,349
Net assets at end of year	\$ 83,345

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

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

Exhibit 3

	General Fund
Assets	
Cash	\$ 80,670
Taxes receivable	2,465
Accounts receivable	510
Interest receivable	121
Total assets	\$ 83,766
Liabilities and fund balance	
Liabilities:	
Accounts payable	421
Total liabilities	421
Fund balance:	
Unreserved, designated for subsequent year's expenditures	56,200
Unreserved, undesignated	27,145
Total fund balance	83,345
Total liabilities and fund balance	\$ 83,766

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

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

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

Amounts reported for governmental activities in the Statement of Net Assets are different from the way they are reported in the Balance Sheet - Governmental Funds as follows:

Fund Balance - Balance Sheet (Exhibit 3)	\$ 83,345
Capital assets, net of accumulated depreciation	<u>-</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 83,345</u></u>

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

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

	General Fund
Revenues	
NMMA allocation	\$ 8,797
Mill levy	21,865
Conservation material sales	2,296
Donation	25
Reimbursements	510
Interest	217
Total revenues	33,710
Expenditures	
Current:	
Project expenses	676
Demonstration project	38
Information and education	2,959
Conservation material	3,523
Contract services	6,178
Supervisor meeting expense	7,155
Office expense	630
Advertising	193
Per diem & travel	3,776
Meeting expense	1,360
Bond	100
Dues	580
Capital outlay	546
Total expenditures	27,714
Net change in fund balance	5,996
Fund balance beginning of year	77,349
Fund balance end of year	\$ 83,345

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

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

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

Net change in fund balance - Governmental Funds (Exhibit 4) \$ 5,996

Amounts reported in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful life of the asset and reported as depreciation expense as follows:

Depreciation expense _____

Change in net assets - Statement of Activities (Exhibit 2) \$ 5,996

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

STATE OF NEW MEXICO

Exhibit 5

GUADALUPE SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
State allocation	\$ 9,000	\$ 10,000	\$ 8,797	\$ (1,203)
Mill levy	25,000	26,000	23,030	(2,970)
Project Reimbursements	10,000	10,000	-	(10,000)
Conservation material	1,500	1,800	2,524	724
Donation	200	200	25	(175)
Interest	100	100	96	(4)
Total revenues	45,800	48,100	\$ 34,472	\$ (13,628)
Cash balance budgeted	23,300	19,700		
Total revenues and cash balance	<u>\$ 69,100</u>	<u>\$ 67,800</u>		
Expenditures				
Project expenses	\$ 10,000	\$ 10,000	283	\$ 9,717
Demonstration project	10,000	10,000	38	9,962
Information and education	5,000	3,000	2,959	41
Conservation material	10,000	10,000	3,524	6,476
Contract services	6,000	6,000	6,178	(178)
Supervisor meeting expenses	6,000	7,000	7,155	(155)
Office expenses	900	600	601	(1)
Advertising	500	500	193	307
Per diem and travel	8,500	8,000	3,776	4,224
Meeting expense	1,000	1,000	1,360	(360)
Bond	200	200	100	100
Dues	1,000	1,500	580	920
Capital outlay	10,000	10,000	546	9,454
Total expenditures	<u>\$ 69,100</u>	<u>\$ 67,800</u>	<u>\$ 27,293</u>	<u>\$ 40,507</u>

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

STATE OF NEW MEXICO
GUADALUPE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Guadalupe Soil and Water Conservation District (District) is organized under the provisions of the Soil and Water Conservation District Act (73-20-25 through 73-20-49 NMSA 1978). The District is a governmental subdivision of the state, a public body corporate and politic, organized for control and prevention of flood, sediment, and soil erosion damage, and to further the conservation, development and beneficial use of water and soil resources. The governing body of the District consists of five elected supervisors, four of whom must be landowners in the District. Two additional supervisors may be appointed to the District board. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

The financial reporting entity as defined by GASB 14 consists of the primary government, organizations for which the primary government is financially accountable and other organizations whose exclusion from the financial reporting entity would cause the financial statements to be misleading.

A primary government is any state government or general-purpose local government and the organizations comprising its legal entity. Although the District is organized as a subdivision of the State and administratively attached to the New Mexico State University, Department of Agriculture, the statutory powers of the District establish it as a primary government with a separate corporate and legal identity. The District has no component units, financially dependent affiliates, nor is it legally liable for actions of other agencies.

The financial statements of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The District is required to implement GASB Statement No. 40, *Deposit and Investment Risk Disclosures* in fiscal year 2005. To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets) report information on all of the no fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities,

STATE OF NEW MEXICO
GUADALUPE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

which rely to a significant extent on fees and charges for support. However, the District does not have any 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 conservation materials and services and 2) grants, contributions and reimbursements that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds.

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

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

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

STATE OF NEW MEXICO
GUADALUPE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

The District reports the following major governmental funds:

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

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

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

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

D. Assets, Liabilities, Net Assets and Fund Balance

1. Cash

The District's cash is considered to be a demand deposit and savings accounts.

2. Taxes Receivable

The District receives mill-levy property tax revenues from the county of Guadalupe. The taxes are collected by the respective county treasurer and are paid to the District monthly, therefore, no allowance for doubtful accounts is recorded.

3. Accounts Payable

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

4. 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 net assets, net of accumulated depreciation and unrestricted net assets. However, the District had no assets required to be capitalized as of the

STATE OF NEW MEXICO
GUADALUPE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

fiscal year-end. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The District had no reservations at fiscal year-end.

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. The budget was revised for several line items as shown on exhibit 4. Encumbrance accounting is not utilized by the District.

STATE OF NEW MEXICO
 GUADALUPE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

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

	General Fund
Non-GAAP revenues (Exhibit 5)	\$ 34,472
Current year receivables	3,096
Prior year receivables	(3,858)
GAAP revenues (Exhibit 4)	<u>\$ 33,710</u>
Non-GAAP expenditures (Exhibit 5)	\$ 27,293
Current Accounts Payable	421
GAAP expenditures (Exhibit 4)	<u>\$ 27,714</u>

III. Detailed Notes on all Funds

A. Cash

As of June 30, 2005, the District had a carrying amount of deposits of \$80,670. The bank balances for deposits were \$81,125. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$455. The total bank balance of \$81,125 consisted of the following:

<u>Wells Fargo</u>	
Basic Business Checking	\$ 50,965
Business premium rate public funds	<u>30,160</u>
	81,125
Less: FDIC coverage	<u>(100,000)</u>
Amount uninsured	<u><u>-0-</u></u>

B. Receivables

Receivables consist of followings.

Property taxes receivable	\$2,465
Interest receivable	210
Accounts receivable-reimbursements	<u>510</u>
	<u>\$3,096</u>

STATE OF NEW MEXICO
GUADALUPE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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 \$7,500 surety bond as well as commercial property coverage. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

D. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.



State of New Mexico

OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

Carl M. Baldwin, CPA, CFE
Deputy State Auditor

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

Mr. Albert Perez, Chair
and Members of the Board of Supervisors
Guadalupe Soil and Water Conservation District
586 South 9th street
Santa Rosa, New Mexico 88435

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Guadalupe Soil and Water Conservation District (District) as of and for the year ended June 30, 2005 and have issued our report dated February 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Office of the State Auditor

OFFICE OF THE STATE AUDITOR

February 10, 2006

STATE OF NEW MEXICO
GUADALUPE SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

PRIOR YEAR AUDIT FINDINGS

04-01 Misstatement of Assets & Revenue RESOLVED

CURRENT YEAR AUDIT FINDINGS

NONE

STATE OF NEW MEXICO
GUADALUPE SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

Financial Statement Preparation

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

Exit Conference

On May 4, 2005, an exit conference was held at the District Office with DeLores Noe, District Clerk, Charles Serrano, Secretary/Treasurer and Alfredo Flores, Board Member of the Guadalupe Soil and Water Conservation District. Representing the Office of the State Auditor was Blanca Trujillo, Senior Auditor.