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**State of New Mexico**  
**OFFICE OF THE STATE AUDITOR**

STATE OF NEW MEXICO

MESA

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**

85271

STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT

TABLE OF CONTENTS  
JUNE 30, 2005

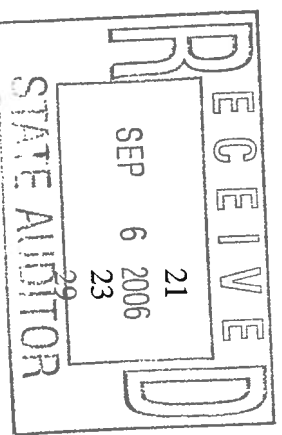
	<u>Exhibit</u>	<u>Page</u>
<b>INTRODUCTORY SECTION</b>		
Table of Contents	i	
Official Roster	ii	

**FINANCIAL SECTION**

Independent Auditor's Report	1	
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	3
Statement of Activities	2	4
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	5
Reconciliation of the Balance Sheet to the Statement of Net Assets		6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities		8
Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis)	5	9
– General Fund	5	9
Statement of Fiduciary Assets and Liabilities	6	10
Notes to the Financial Statements		11
Supplemental Information:		

**SUPPLEMENTAL INFORMATION AND OTHER REPORTS**

Schedule of Changes in Assets and Liabilities-Agency Fund	20
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>	21
Schedule of Findings and Recommendations Exit Conference	23



STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER  
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
Richard L. Shaw	Chairperson
Lawrence A. Herron	Vice-Chairperson
Kimberly Mitchell	Secretary/Treasurer
Bonnie Long	Supervisor
Cynthia Gutierrez	Supervisor
Wallace Berner	Supervisor

<u>District Personnel</u>	<u>Title</u>
Sherrita Fluhman	Administrative Assistant



# 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. Richard L. Shaw, Chair  
and Members of the Board of Supervisors  
Mesa Soil and Water Conservation District  
P.O. Box 68  
Roy, New Mexico 87743

We have audited the accompanying financial statements of the governmental activities, the general fund and the budgetary comparison of the Mesa 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 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 May 17, 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The additional schedule listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Officer of the State Auditor*

OFFICE OF THE STATE AUDITOR  
May 17, 2006

STATE OF NEW MEXICO  
 MESA SOIL AND WATER CONSERVATION DISTRICT  
**STATEMENT OF NET ASSETS**  
 June 30, 2005

	Governmental Activities
<b>Assets</b>	
Cash	\$ 25,203
Accounts receivable	3,555
Property taxes receivable	12
Interest receivable	17
Capital assets, net	<u>3,634</u>
Total assets	<u>\$ 32,421</u>
<b>Liabilities</b>	
Accounts payable	\$ 1,690
Due to external parties	<u>448</u>
Total liabilities	<u>2,138</u>
<b>Net Assets</b>	
Invested in capital assets	3,634
Unrestricted	<u>26,649</u>
Total net assets	<u><u>\$ 30,283</u></u>

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

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

	Governmental Activities
<b>Program Expenses:</b>	
Conservation:	\$
Advertising	636
Contract services	400
Per diem and travel	1,931
Office expense	828
Meetings and workshops	420
Dues	1,441
Awards	2
Insurance	100
Information and education	259
Project cost and conservation materials	19,895
Seed	1,690
Depreciation expense	1,848
Total program expenses	29,450
<b>Program Revenues:</b>	
Operating grants and contributions	14,970
Charges for services	1,025
Total program revenues	15,995
Net program (expense) revenue	(13,455)
<b>General Revenues:</b>	
NMDA allotment	9,775
Capital contributions	9,838
Property taxes	2,176
Harding County grant	500
Miscellaneous	3,862
Interest	90
Special item - gain on sale of capital asset	904
Total general revenues and special item	27,145
Change in net assets	13,690
Net assets, beginning of year	16,593
Net assets, end of year	\$ 30,283

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

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

Exhibit 3

	General Fund
<b>Assets</b>	
Cash	\$ 25,203
Accounts receivable	3,555
Property tax receivable	12
Interest receivable	17
Total assets	\$ 28,787
<b>Liabilities and fund balance</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 1,690
Due to external parties	448
Total liabilities	2,138
<b>Fund balance:</b>	
Unreserved, designated for subsequent year's expenditures	18,730
Unreserved, undesignated	7,919
Total fund balance	26,649
Total liabilities and fund balance	\$ 28,787

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



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

Amounts reported for governmental activities in the statement of net assets are different from the way they are reported in the balance sheet - governmental funds as follows:

Fund balance - total governmental funds (Exhibit 3)	\$ 26,649
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>3,634</u>
Net assets of governmental activities (Exhibit 1)	<u><u>\$ 30,283</u></u>

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

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

	General Fund
<b>Revenues</b>	
La Cinta Grant	\$ 14,970
State allocation	9,775
Farm equipment sales	7,762
Property taxes	2,176
Tree Sales	1,025
Harding County grant	500
Interest income	90
Miscellaneous	3,862
<b>Total revenues</b>	<b>40,160</b>
<b>Expenditures</b>	
<b>Conservation:</b>	
Current:	
Awards	2
Advertisements	636
Dues	1,441
Information and education	259
Meeting & promotional expenses	420
Insurance	100
Office expenses	828
Travel and per diem	1,931
Contract services	400
Project costs/conservation materials	19,895
Seed	1,690
<b>Total expenditures</b>	<b>27,602</b>
<b>Net change in fund balance</b>	<b>12,558</b>
<b>Fund balance, beginning of year</b>	<b>14,091</b>
<b>Fund balance, end of year</b>	<b>\$ 26,649</b>

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

STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT  
**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED IN JUNE 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (Exhibit 4)      \$    12,558

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.      (1,848)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.      2,980

Change in net assets of governmental activities (Exhibit 2)      \$    13,690

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

STATE OF NEW MEXICO  
 MESA SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
State allocation	\$ 10,296	\$ 10,296	\$ 9,775	\$ (521)
Farm equipment sales	-	-	7,762	7,762
Property taxes	2,000	2,000	2,176	176
Tree sales	-	-	1,025	1,025
Harding County grant	-	-	500	500
Interest	10	10	90	80
Miscellaneous	-	-	308	308
Grant projects	25,000	25,000	-	(25,000)
Total revenues	<u>37,306</u>	<u>37,306</u>	<u>21,636</u>	<u>\$ (15,670)</u>
Cash balance to budgeted	558	558		
Total revenues and cash	<u>\$ 37,864</u>	<u>\$ 37,864</u>		

**Expenditures**

Current:				
Advertising and promotions	\$ 500	\$ 500	\$ 636	\$ (136)
Awards	100	100	33	67
Bonding	100	100	100	-
Dues	1,600	1,600	1,441	159
Salaries	5,500	5,500	-	5,500
Information and education	1,114	1,114	259	855
Meeting and workshops	1,000	1,000	420	580
Office expenses	500	500	380	120
Telephone	50	50	-	50
Travel and per diem	2,100	2,100	3,821	(1,721)
Grant projects	25,000	25,000	19,895	5,105
Contract services	-	-	400	(400)
Capital outlay	300	300	-	300
Total expenditures	<u>\$ 37,864</u>	<u>\$ 37,864</u>	<u>\$ 27,385</u>	<u>\$ 10,479</u>

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

STATE OF NEW MEXICO  
 MESA SOIL AND WATER CONSERVATION DISTRICT  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
 JUNE 30, 2005

	Agency Fund
<b>Assets</b>	
Cash	\$ 547,114
Due from external parties	<u>448</u>
Total Assets	<u>\$ 547,562</u>
<b>Liabilities</b>	
Liabilities:	
Accrued payroll	\$ 465
Due to other agencies	<u>547,097</u>
Total Liabilities	<u>\$ 547,562</u>

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

STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

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

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

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The District was required to implement GASB Statement 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 nonfiduciary 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  
MESA 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) revenues from the sales of trees and seeds 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. 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:

STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

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.

Additionally, the government reports the following fund type:

The fiduciary fund accounts for assets held by the District as agent and those assets cannot be used to support the District's own programs. The District serves as fiscal agent for the Canadian River Riparian Restoration Project, an entity funded with a State of New Mexico General Fund appropriation. This project was established to eradicate or control the salt cedar and Russian olive trees that grow along the Canadian River and its tributaries in Northeastern New Mexico.

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 and cash equivalents are considered to be demand deposits and short term investments (certificates of deposit) with original maturities of six months from the date of acquisition.

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

Property taxes attach an enforceable lien as of January 1. Taxes are payable in equal semi-annual installments on November 10 and April 10 of the subsequent year. The taxes become delinquent thirty days after the due date. The taxes are collected by



STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

the Harding County Treasurer and San Miguel County Treasurer and are remitted to the District in the month following collection. Accounts payable includes amounts owed for the purchase of grass seed.

3. Capital Assets

Capital assets, which include property and equipment (including software), are reported in the governmental activities column in the government-wide financial statements. Capital assets, are defined by state law, are assets with an initial cost of \$1,000 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:

Farm equipment	7 years
Computer equipment	5 years

4. Accounts Payable

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

5. Compensated Absences

As of June 30, 2005, the District employee does not earn any annual vacation or sick leave.

6. Net Assets and Fund Balance

The difference between the District's assets and liabilities is its net assets. The District's net assets consist of two components -- investment in capital assets and unrestricted net assets. In the fund financial statements, governmental funds report unreserved fund balance in the amount of \$18,730 that has been designated to balance the budget for the subsequent fiscal year. Also, the District has an unreserved, undesignated fund balance in the amount of \$7,919.

STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

**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  
MESA 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)	\$ 21,636
Prior year receivables	(30)
Current year receivables	3,584
Deferred revenue	14,970
GAAP revenues (Exhibit 4)	<u>\$ 40,160</u>
Non-GAAP expenditures (Exhibit 5)	\$ 27,385
Prior year payable	(1,921)
Current year payables	2,138
GAAP expenditures (Exhibit 4)	<u>\$ 27,602</u>

**III. Detailed Notes on all Funds**

**A. Cash**

As of June 30, 2005, the District had a carrying amount of deposits of \$572,317. The bank balances for deposits were \$573,222. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$905. The total bank balance of \$573,222 consisted of the following:

<u>Wells Fargo Bank</u>	
Demand deposits	\$ 567,076
Less: FDIC coverage	(100,000)
Amount uninsured	<u>\$ 467,076</u>
50% collateral requirement (Section 6-10-17, NMSA 1978)	\$ 233,538
Pledged securities at fair market value	368,437
Over (Under) Collateralized	<u>\$ 134,899</u>
Certificate of Deposit	\$ 6,146
Less: FDIC coverage	(6,146)
Amount uninsured	<u>\$ -0-</u>

The pledged security consists of the following:

STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

Description:	FNCL 254515	Market Value	\$ 268,489
CUSIP #:	31371KVG3		
Maturity:	10/01/2032		
Location:	Wells Fargo Bank in California		
Description:	FNCL 357595	Market Value	\$ 99,948
CUSIP #:	31376KGC4		
Maturity:	07/01/2034		
Location:	Wells Fargo Bank in California		
Total market value			<u>\$ 368,437</u>

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2005, \$467,076 of the government's bank balance of \$573,222 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 98,639
Uninsured and Collateral held by the pledging bank's trust department not in the District's name	<u>368,437</u>
Total	<u>\$ 467,076</u>

**B. Receivables**

Receivables in the general fund consist of \$3,555 for accounts receivable and \$12 for property taxes receivable and \$17 for interest income receivable. All of the receivables are considered to be fully collectible.

**C. Capital Assets**

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

STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

Description	Balance 06/30/04	Additions	Deletions	Balance 06/30/05
Governmental activities:				
Capital assets:				
Farm equipment	\$ -	\$ 8,000	\$ (8,000)	\$ -
Computer equipment	2,610	1,838	-	4,448
<i>Capital assets, historical cost:</i>	<u>2,610</u>	<u>9,838</u>	<u>(8,000)</u>	<u>4,448</u>
Accumulated depreciation:				
Farm equipment	-	(1,142)	1,142	-
Computer equipment	(108)	(706)	-	(814)
<i>Less: Accumulated Depreciation</i>	<u>(108)</u>	<u>(1,848)</u>	<u>1,142</u>	<u>(814)</u>
Capital Assets, net	<u>\$ 2,502</u>	<u>\$ 7,990</u>	<u>\$ (6,858)</u>	<u>\$ 3,634</u>

**IV. Other Information**

**A. Employee Benefits**

The District did not offer its employee a pension plan, deferred compensation plan or post-employment benefits as of June 30, 2005.

**B. 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 \$10,000 surety bond.

The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

**C. Joint Powers Agreement – Canadian River Riparian Restoration Project**

During the 2004 session, the New Mexico State Legislature appropriated \$4.8 million to the New Mexico Department of Agriculture to remove salt cedar and Russian olive from the Rio Grande, Pecos and Canadian River Basins. As a result of this appropriation, a joint powers agreement was established for this project. The terms of the agreement are summarized as follows:

Date of agreement:	June 29, 2004
Participants:	New Mexico Association of Conservation Districts and the Canadian River, Colfax, Guadalupe, Mesa, Mora-Wagon Mound, Northeastern, Tierra Y Montes and Ute Creek Soil and Water Conservation Districts
Responsible party for operations:	Mesa Soil and Water Conservation District
Description:	Canadian River Riparian Restoration Project
Beginning date of agreement:	July 1, 2004
Total estimated amount:	\$1,433,333
Amount expended to date:	\$720,609
Audit responsibility:	New Mexico State University, New Mexico Department of Agriculture
Fiscal agent:	Mesa Soil and Water Conservation District
The government agency where revenues and expenditures are reported:	New Mexico State University

**D. Related Party Transactions**

On May 11, 2005, the District sold an Artic Cat ATV to the husband of the Secretary/Treasurer of the Board of Supervisors. The Artic Cat ATV was sold by public bids in the same manner as other public bids.

**E. Operating Lease**

On August 10, 2004, the District entered into a lease agreement with Harding County for the rental of part of the Harding County Annex building located at 24 Main Street. The term of the lease is from August 10, 2004 to August 10, 2005. Total costs for such lease was \$3,000 for the year ended June 30, 2005. The future minimum lease payment for the lease is \$600.

STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
AGENCY FUND  
JUNE 30, 2005

	Beginning Balance 6/30/2004	Additions	Deletions	Ending Balance 6/30/2005
<b>Assets</b>				
Cash	-	\$ 1,267,257	\$ 720,143	\$ 547,114
Due from external parties	-	448	-	448
Total Assets	-	\$ 1,267,705	\$ 720,143	\$ 547,562
<b>Liabilities</b>				
Accrued payroll	-	\$ 465	-	\$ 465
Due to other agencies	-	1,267,240	720,143	547,097
Total Liabilities	-	\$ 1,267,240	\$ 720,143	\$ 547,562

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



# 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. Richard L. Shaw, Chair  
and Members of the Board of Supervisors  
Mesa Soil and Water Conservation District  
P.O. Box 68  
Roy, New Mexico 87743

We have audited the accompanying financial statements of the governmental activities, the general fund and the budgetary comparison of the Mesa Soil and Water Conservation District (District) as of and for the year ended June 30, 2005 and have issued our report dated May 17, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and recommendations as item 04-01 and 05-03.

A material weakness is a reportable 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 error 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

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period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, none of the reportable conditions described above are considered 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 recommendations as items 04-01, 05-01 and 05-02.

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  
May 17, 2006

STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2005

STATUS OF PRIOR YEAR AUDIT FINDINGS

Finding 00-6. Noncompliance with DOL Reporting Requirements – Resolved.  
Finding 04-01. Missing Expenditure Documentation – Repeated & Modified in FY05.

CURRENT YEAR AUDIT FINDINGS

04-01. Missing Expenditure Documentation (Repeated and Modified)

Condition

During our test work we noted that three expense disbursements totaling \$1,550 did not have any supporting documentation on file. One expense disbursement totaling \$542 did not have approval signatures.

Criteria

Per state law, Section 6-5-8 NMSA 1978, “All claims for payment of public money shall be made upon a public voucher. All public vouchers shall be in the form and contain the information required by the division. All purchase vouchers for goods and services, other than personnel, shall be accompanied by supporting invoices and documentation required by the division. Vouchers for the reimbursement of public officers and employees shall have receipts attached for all money claimed, except that travel advance or reimbursement vouchers for claims of mileage and per diem at standard rates need not be accompanied by receipts. All vouchers shall be certified as true and correct by the officer or employee designated to approve payments of claims against state agencies and local public bodies, including public schools.

Per state law, Section 13-1-158.A NMSA 1978, “No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications.”

Per state law, Section 6-6-3 NMSA 1978, “every local public body shall keep all the books, records and accounts in their respective offices in the form prescribed by the local government division, make all reports as may be required by the local government division and conform to the rules and regulations adopted by the local government

STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2005

division.” The Local Government Division of the Department of Finance and Administration (LGD/DFA) has published a *Budgeting and Financial Accounting Manual for Local Governments* as authorized by 6-6-3 NMSA 1978 for Districts to comply with.

Effect

The District is in violation of the State Procurement Code and related laws and regulations. The District was unable to substantiate that the payments were for goods and services that were actually needed or received by the District. Fraud may have occurred and can still occur if payments are made without proper supporting documentation. There is a complete lack of control over the procurement and cash disbursement process.

Cause

The temporary help was not aware of the statutes. An administrative assistant was not hired until January 2005.

Recommendation

The District needs to locate the missing documentation to substantiate the expenditures. The District should develop and implement written policies and procedures to comply with the State’s procurement laws and regulations. Before any amounts are paid to anyone, the District needs to document the date the goods or services were received and by whom. The District should not pay for anything unless an invoice exists, the goods or services have been received, and a payment voucher has been approved by the Board of Supervisors. The District needs to file and maintain all expenditure documentation for a minimum of three years.

Management’s Response

This District concurs with the audit finding that vouchers were missing Board Approval signatures and supporting documentation. The District will implement better checks and balances to ensure that vouchers are signed by Board Members and supporting documentation is attached to the purchase voucher prior to disbursement.

STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2005

05-01. Missing Per Diem and Mileage Forms

Condition

During our test work of cash disbursements, 2 out of 77 payments totaling \$806 had no per diem and mileage forms.

Criteria

In accordance with the State's Per Diem and Mileage Act, the Regulations Governing the Per Diem and Mileage Act (Section 2.42.2 of the New Mexico Administration Code) shall apply when the person seeks payment of per diem and mileage, or reimbursement of expenses in the capacity of a salaried or non-salaried public officer or employee of the governmental entity. Per Diem and mileage forms, and vouchers are required to be completed before the public employee or official can be reimbursed for per diem and mileage expenses.

Effect

The District is in violation of the Per Diem and Mileage Act (Section 2.42.2 of the New Mexico Administration Code). Without the necessary forms, the District is unable to substantiate the expense.

Cause

The Board of Supervisors neglected to ensure that the Administrative Assistant and the District are in compliance with the State of New Mexico Per Diem and Mileage Act, and applicable regulations and documentation requirements.

Recommendation

The District should obtain a copy, and comply with the Regulations governing the Per Diem and Mileage Act. The Board of Supervisors should not approve a payment voucher for per diem and mileage expenses unless there is a completed travel reimbursement on file that contains all documentation required by Mileage and Per Diem Act. The district needs to file and maintain all expenditure documentation for a minimum of three years.

STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2005

Managements' Response

The District concurs with the findings that statements of travel were not being submitted prior to payments being made. The District will implement that all statements of travel will be completed prior to disbursements.

05-02. Capital Asset Disposition Notification to the State Auditor's Office

Condition

The District sold two four-wheel all terrain vehicles by public bid. However, the District did not notify the State Auditor of its disposition of property.

Criteria

Notification to the State Auditor is required by Section 13-6-2 NMSA 1978.

Effect

The District is in violation of Section 13-6-2 NMSA 1978.

Cause

The new Administrative Assistant was not aware of the state law.

Recommendation

We recommend that the District notify the State Auditor's Office of any dispositions of capital assets before disposal. In accordance with Section 13-6-1 NMSA 1978, the governing authority shall, as a prerequisite to the disposition of any items of tangible personal property (1) designate a committee of at least three officials of the governing authority to approve and oversee the disposition; and (2) give notification at least thirty days prior to its action making the deletion by sending a copy of its official finding and the proposed disposition of the property to the state auditor and the appropriate approval authority designated in Section 13-6-2 NMSA 1978, duly sworn and subscribed under oath by each member of the authority approving the action.

STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2005

Management's Response

The District concurs with the finding that the District failed to submit to the State Auditor's Office a letter of notification before disposing of capital assets. The District will implement written notification to the Office of the State Auditor, at least thirty days prior to disposing of the District's capital assets.

05-03. No Prior Authorization of New Bank Account

Condition

The District opened a new bank account on August 7, 2004. The Board of Supervisors failed to show proper documentation that authorized the Canadian River Riparian Restoration Project (CRRRP) bank account.

Criteria

Sound financial management includes maintaining the District's cash in FDIC-insured bank accounts in the District's name. The Board of Supervisors should know about all of the District's bank accounts, where they are located and approximately how much money is in each account.

Effect

Bank accounts could be opened without the Board's knowledge.

Cause

The District was not aware that they needed to have proper authorization for opening a new bank account in its name.

Recommendation

We recommend that the District document the authorization of new bank accounts in the Board of Supervisors' meeting minutes.

STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2005

Management's Response

In the future, all financial decisions will be properly authorized and documented in a formal Board meeting prior to physical action being taken.

STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT

EXIT CONFERENCE  
JUNE 30, 2005

Financial Statement Preparation

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

Exit Conference

On May 17, 2006, an exit conference was held at the District Office with Mr. Richard Shaw, Chairperson and Ms. Cynthia Gutierrez, Board Member and Mrs. Sherita Fluhman, Administrative Assistant of the Mesa Soil and Water Conservation District. Representing the Office of the State Auditor was Rosemary Whitegeese, Audit Supervisor and Steve Riggs, Audit Staff.