



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

STATE OF NEW MEXICO

QUEMADO

SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2006

(With Independent Auditor's Report Thereon)

8032

STATE OF NEW MEXICO
QUEMADO SOIL AND WATER CONSERVATION DISTRICT

TABLE OF CONTENTS
JUNE 30, 2006

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
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
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	4	6
Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	5	7
Notes to the Financial Statements		8
OTHER REPORTS		
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>		14
Schedule of Findings and Responses Exit Conference		16 17

STATE OF NEW MEXICO
QUEMADO SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
JUNE 30, 2006

<u>Board of Supervisors</u>	<u>Position</u>
Burl Adams	Chairperson
Tommy Padilla	Vice-Chairperson
Barbara McCrimmon	Secretary/Treasurer
Denny Carver	Supervisor
Herman Tower	Supervisor

District Personnel

Title

Loretta Rael Administrative Secretary



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

INDEPENDENT AUDITOR'S REPORT

Mr. Burl Adams, Chair
and Members of the Board of Supervisors
Quemado Soil and Water Conservation District
P.O. Box 136
Datil, New Mexico 87821

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Quemado Soil and Water Conservation District (District) as of and for the year ended June 30, 2006, 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, 2006, and the respective changes in financial position, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented the Management's Discussion and Analysis required by *GASB Statement No. 34* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 15, 2007 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 15, 2007

**STATE OF NEW MEXICO
QUEMADO SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 23,927
Capital assets, Net	-
Total assets	23,927
Liabilities	
Accounts payable	400
Total liabilities	400
Net Assets	
Invested in capital assets	-
Unrestricted	23,527
Total net assets	\$ 23,527

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

STATE OF NEW MEXICO
QUEMADO SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Governmental Activities
Program Expenses:	
Conservation:	
Personnel	\$ 1,824
Travel and per diem	915
Office expenses	63
Election	85
Dues	673
Bond	100
Publications, Materials and Camps	295
Cost share projects	1,446
Conservation projects	1,558
Benevolence	500
Depreciation expense	-
Total program expenses	<u>7,459</u>
Program Revenues:	
Charges for services	-
County operating grants	-
Total program revenues	<u>-</u>
Net program (expense) revenue	<u>(7,459)</u>
General Revenues:	
NMDA Allotment	4,972
Donations	225
Interest income	71
Total general revenues	<u>5,268</u>
Change in net assets	(2,191)
Net assets at beginning of year	25,718
Net assets at end of year	<u><u>\$ 23,527</u></u>

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

STATE OF NEW MEXICO
 QUEMADO SOIL AND WATER CONSERVATION DISTRICT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2006

	General Fund
Assets	
Cash and cash equivalents	\$ 23,927
Total assets	<u>\$ 23,927</u>
Liabilities and fund balance	
Liabilities:	
Accounts payable	\$ 400
Total liabilities	400
Fund balance:	
Unreserved, designated for subsequent year's expenditures	18,850
Unreserved, undesignated	4,677
Total fund balance	23,527
Total liabilities and fund balance	<u>\$ 23,927</u>

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

**STATE OF NEW MEXICO
QUEMADO SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	General Fund
Revenues	
NMDA Allotment	\$ 4,972
County grants	-
Donations	225
Interest income	71
Miscellaneous revenue	-
Total revenues	5,268
Expenditures	
Conservation:	
Current:	
Personnel	1,824
Travel and per diem	915
Office expenses	63
Election	85
Dues	673
Bond	100
Puplications, Materials and Camps	295
Cost share projects	1,446
Conservation projects	1,558
Benevolence	500
Total expenditures	7,459
Net change in fund balance	(2,191)
Fund balance beginning of year	25,718
Fund balance end of year	\$ 23,527

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

STATE OF NEW MEXICO
 QUEMADO 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, 2006

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
NMDA Allotment	\$ 7,000	\$ 7,000	\$ 4,972	\$ (2,028)
County grants	1,000	1,000	-	(1,000)
Donations	-	-	225	225
Interest income	350	350	71	(279)
Total revenues	<u>8,350</u>	<u>8,350</u>	<u>5,268</u>	<u>\$ (3,082)</u>
Cash balance budgeted	18,850	18,850		
Total revenues and cash balance	<u>\$ 27,200</u>	<u>\$ 27,200</u>		
Expenditures				
Personnel	\$ 2,400	\$ 2,400	2,024	\$ 376
Travel and per diem	2,000	2,000	515	1,485
Office expenses	150	150	63	87
Election	200	200	85	115
Dues	750	750	673	77
Bond	100	100	100	-
Equipment repairs	300	300	-	300
Pulications, Materials and Camps	500	500	295	205
Conservation projects	3,600	3,600	1,558	2,042
Cost share projects	14,800	14,800	1,446	13,354
Benevolence	2,400	2,400	500	1,900
Total expenditures	<u>\$ 27,200</u>	<u>\$ 27,200</u>	<u>\$ 7,259</u>	<u>\$ 19,941</u>

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

STATE OF NEW MEXICO
QUEMADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Quemado 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 reporting policies 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). To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, the District does not have any fiduciary or business-type activities.

STATE OF NEW MEXICO
QUEMADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, if any, and other items not properly included among program revenues are reported instead as general revenues. However, the District did not have program revenues during the fiscal year.

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, if any, 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.

Interest associated with the current fiscal period is 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
QUEMADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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, and Net Assets or Fund Balance

1. Cash

The District's cash is held in a demand deposit account.

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. 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 \$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. However, the District does not have any capital assets as of June 30, 2006.

STATE OF NEW MEXICO
QUEMADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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 three components – invested in capital assets, which is the cost of net assets, net of accumulated depreciation, restricted net assets which are liquid assets and have third-party (statutory, bond covenant or granting agency) limitations on their use and unrestricted net assets which represent unrestricted liquid assets; however, the District does not own assets required to be capitalized. In the fund financial statements, governmental funds report unreserved fund balance in the amount of \$18,850 that has been designated to balance the budget for the subsequent year. The District had no restricted net assets or reservations of fund balance 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.

STATE OF NEW MEXICO
QUEMADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

The legal level at which actual expenditures may not exceed budgeted expenditures is at the total fund level. The Board can revise its budget with the approval of DFA-LGD. Encumbrance accounting is not utilized by the District.

B. Reconciliation of Non-GAAP Budget to GAAP

	General Fund
Non-GAAP revenues (Exhibit 5)	\$ 5,268
Prior year receivables	-
Current year receivables	-
GAAP revenues (Exhibit 4)	<u>\$ 5,268</u>
Non-GAAP expenditures (Exhibit 5)	\$ 7,259
Prior year payable	(200)
Current year payable	400
GAAP expenditures (Exhibit 4)	<u>\$ 7,459</u>

III. Detailed Notes on all Funds

A. Deposits and Investments

As of June 30, 2006, the District had a carrying amount of deposits of \$23,927. The bank balances for deposits were \$24,203. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$276. The total bank balance of \$24,203 consisted of the following:

<u>First State Bank</u>	
Demand deposits	\$ 24,203
Less: FDIC coverage	(24,203)
Amount uninsured bank balance	<u>\$ -0-</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2006, none of the District's bank balance of \$24,203 was exposed to custodial credit risk since it is fully covered by FDIC insurance.

STATE OF NEW MEXICO
QUEMADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

B. Capital Assets

The District did not have any capital assets as of June 30, 2006.

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, 2006.

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 \$1,050,000 for each wrongful act and \$1,050,000 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.

C. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustments 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.



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

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. Burl Adams, Chair
and Members of the Board of Supervisors
Quemado Soil and Water Conservation District
P.O. Box 136
Datil, New Mexico 87821

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Quemado Soil and Water Conservation District (District) as of and for the year ended June 30, 2006 and have issued our report dated February 15, 2007. 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 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 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 Department of Finance and Administration 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.

Ofelia de la Torre Auditor

OFFICE OF THE STATE AUDITOR

February 15, 2007

STATE OF NEW MEXICO
QUEMADO SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2006

STATUS OF PRIOR YEAR AUDIT FINDINGS

None.

CURRENT YEAR AUDIT FINDINGS

None.

STATE OF NEW MEXICO
QUEMADO SOIL AND WATER CONSERVATION DISTRICT

EXIT CONFERENCE
JUNE 30, 2006

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 February 15, 2007, an exit conference was held at the District Office with Ms. Barbara McCrimmon, Secretary/Treasurer and Ms. Loretta Rael, Administrative Secretary of the Quemado Soil and Water Conservation District. Representing the Office of the State Auditor was Chan Kim, CPA, Audit Manager. The results of the audit and the contents of this report were discussed.