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State of New Mexico
OFFICE OF THE STATE AUDITOR

STATE OF NEW MEXICO

ROOSEVELT
SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2005

(With Independent Auditor's Report Thereon)



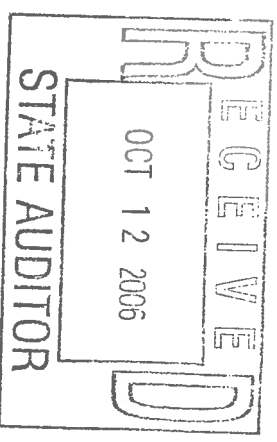
Domingo P. Martinez, CGFM
State Auditor

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STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

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JUNE 30, 2005

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STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
Karl Cox, Jr.	Chairperson
Mitzi Miller	Vice-Chairperson
George Hay	Secretary/Treasurer
Don Sanders	Supervisor
Gene Massey	Supervisor
Mike Cone	Supervisor
<u>District Personnel</u>	<u>Title</u>
Dona Hamer	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. Karl Cox, Jr., Chairman
and Members of the Board of Supervisors
Roosevelt Soil and Water Conservation District
705 E. Canadian
Portales, NM 88130

We have audited the accompanying financial statements of the governmental activities, each major fund and the respective budgetary comparisons of the Roosevelt 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 each major fund of the District as of June 30, 2005, and the respective changes in financial position, thereof and the budgetary comparisons for major governmental funds 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 April 7, 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

April 7, 2006

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

Exhibit 1

	Governmental Activities
Assets	
Cash	\$ 332,644
Interest receivable	4,990
Accounts receivable - loans from ranchers	193,320
Accounts receivable - Water Conditioner	11,695
Prepaid expense	1,000
Capital assets, net	1,540
Total assets	545,189
Liabilities	
Accounts payable	20,195
Accrued interest on loan	399
Noncurrent liabilities	-
Due within one year	-
Due in more than one year	316,067
Total liabilities	336,661
Net Assets	
Invested in capital assets, net of related debt	1,540
Restricted for loan program	7,235
Restricted for weatherization program	70,532
Unrestricted	129,221
Total net assets	\$ 208,528

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

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

	Governmental Activities
Program Expenses:	
Conservation:	
Administration	\$ 57,276
Conservation programs	136,847
Depreciation	1,424
Interest	8,843
Total program expenses	204,390
Program Revenues:	
State grants-operating	211,266
Charges for services	58,014
Reimbursements	924
Total program revenues	270,204
Net program (expense) revenue	65,814
General Revenues:	
NMDA allotment	9,677
Interest	7,195
Miscellaneous	84
Total general revenues	16,956
Change in net assets	82,770
Net assets at beginning of year	125,758
Net assets at end of year	\$ 208,528

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

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

Exhibit 3

	General Fund	Weather Modification	Loan Program	Total
Assets				
Cash	\$ 116,721	\$ 90,532	\$ 125,391	\$ 332,644
Accounts receivable - ranchers	-	-	193,320	193,320
Accounts receivable - water conditioner	11,695	-	-	11,695
Prepaid expense	1,000	-	-	1,000
Interest receivable	-	-	4,990	4,990
Total assets	<u>\$ 129,416</u>	<u>\$ 90,532</u>	<u>\$ 323,701</u>	<u>\$ 543,649</u>
Liabilities and fund balance				
Liabilities:				
Accounts payable	\$ 195	\$ 20,000	\$ -	\$ 20,195
Interest payable to ISC	-	-	-	-
Total liabilities	<u>195</u>	<u>20,000</u>	<u>-</u>	<u>20,195</u>
Fund balance:				
Reserved for ISC loan repayment	-	-	323,701	323,701
Reserved for weather modification	-	70,532	-	70,532
Unreserved, designated for subsequent year's expenditures	36,404	-	-	36,404
Unreserved, undesignated	92,817	-	-	92,817
Total fund balance	<u>129,221</u>	<u>70,532</u>	<u>323,701</u>	<u>523,454</u>
Total liabilities and fund balance	<u>\$ 129,416</u>	<u>\$ 90,532</u>	<u>\$ 323,701</u>	<u>\$ 543,649</u>

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

STATE OF NEW MEXICO
 ROOSEVELT 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 - Balance Sheet (Exhibit 3) \$ 523,454

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 follows:

Capital assets, net of accumulated depreciation 1,540

Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:

Notes payable (316,067)

Accrued interest payable (399)

Net Assets - Statement of Net Assets (Exhibit 1) \$ 208,528

STATE OF NEW MEXICO
 ROOSEVELT 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	Weather Modification	Loan Program	Total
Revenues				
State allocation	\$ 9,677	\$ -	\$ -	\$ 9,677
Project revenue/tree program	50,878	-	-	50,878
State grants-operating	11,266	200,000	-	211,266
Interest	2,440	16	11,875	14,331
Refunds and reimbursements	924	-	-	924
Miscellaneous	84	-	-	84
Total revenues	75,269	200,016	11,875	287,160
Expenditures				
Conservation:				
Current:				
Payroll	9,297	-	-	9,297
Payroll taxes	2,073	-	-	2,073
Per diem and mileage	4,563	-	-	4,563
Dues	80	-	-	80
Office expense	858	-	26	884
Advertising	120	-	-	120
Windbreak expense (tree program)	35,163	-	-	35,163
CRS tax	2,175	-	-	2,175
Weather Modification	-	136,847	-	136,847
Bonding	557	-	-	557
Meeting expense	864	-	-	864
Information & Education	807	-	-	807
Soil stewardship	39	-	-	39
Repair and maintenance	329	-	-	329
Miscellaneous	325	-	-	325
Capital outlay	1,390	-	-	1,390
Debt Service:	-	-	-	-
Principal	-	-	21,306	21,306
Interest	-	-	8,843	8,843
Total expenditures	58,640	136,847	30,175	225,662
Net change in fund balances	16,629	63,169	(18,300)	61,498
Fund balance beginning of year	112,592	7,363	342,001	461,956
Fund balance end of year	\$ 129,221	\$ 70,532	\$ 323,701	\$ 523,454

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

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

Net change in fund balance - Governmental Funds (Exhibit 4) \$ 61,498

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:

Capital outlay	1,390
Depreciation expense	(1,424)

Repayment of principal on long-term debt (note payable) is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount repaid in the current year:

Payments on ISC loans	21,705
Change in accrued interest	<u>(399)</u>

Change in net assets - Statement of Activities (Exhibit 2)	<u><u>\$ 82,770</u></u>
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STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL AND SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	General Fund			Variance
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenues				
State allocation	\$ 10,300	\$ 10,300	\$ 9,677	\$ (623)
Project revenue	3,000	3,000	11,266	8,266
Windbreak program	50,000	50,000	50,878	878
Interstate Stream Commission	-	-	-	-
Loan Repayments from Ranchers	-	-	-	-
Interest	150	150	2,440	2,290
Refunds and reimbursements	-	-	924	924
Miscellaneous	-	-	84	84
Cash balance budgeted	63,450	63,450	75,269	11,819
Total revenues	<u>\$ 90,500</u>	<u>\$ 90,500</u>	<u>\$ 75,269</u>	<u>\$ 11,819</u>
Expenditures				
Current:				
Payroll	15,000	15,000	9,298	5,702
Payroll taxes	2,000	2,000	2,022	(22)
Per diem and mileage	1,500	1,500	4,563	(3,063)
Dues	1,000	1,000	1,287	(287)
Office expense	1,000	1,000	2,248	(1,248)
Advertising	500	500	120	380
Awards and special events	1,000	1,000	150	850
Windbreak expense (tree program)	40,000	40,000	38,895	1,105
CRS tax	6,000	6,000	2,287	3,713
Demonstration projects	3,500	3,500	-	3,500
Weather Modification program	10,000	10,000	-	10,000
Bonding	600	600	557	43
Meeting expense	5,400	5,400	864	4,536
Information & Education	-	-	807	(807)
Soil stewardship	-	-	39	(39)
Equipment	2,000	2,000	-	2,000
Repair and maintenance	-	-	329	(329)
Miscellaneous	1,000	1,000	119	881
Loans to ranchers	-	-	-	-
Loans repaid to JSC	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>\$ 90,500</u>	<u>\$ 90,500</u>	<u>\$ 63,585</u>	<u>\$ 26,915</u>

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



Loan Fund				Variance
Original Budget	Final Budget	Actual	(Unfavorable)	Favorable
\$ -	\$ -	\$ -	\$ -	\$ -
50,000	50,000	67,587	17,587	
-	-	8,707	8,707	
50,000	50,000	<u>\$76,294</u>	<u>\$26,294</u>	
70,000	70,000			
<u>\$ 120,000</u>	<u>\$ 120,000</u>			
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	26	(26)	
90,000	90,000	30,000	60,000	
30,000	30,000	30,149	(149)	
-	-	-	-	-
-	-	-	-	-
<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ 60,175</u>	<u>\$ 59,825</u>	

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Roosevelt 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). 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 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
ROOSEVELT 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 fiduciary or business-type activities.

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

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. 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.

Grants 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
ROOSEVELT 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.

The Weather Modification Fund is a special revenue fund which accounts for weather modification program activities designed to bring moisture to the local area in order to aid in crop production.

The Loan Fund is a special revenue fund which was set up to account for the District's Low Interest Loan Program. The District receives low interest loans from the New Mexico Interstate Stream Commission (NMISC) to lend to landowners in the District at low interest rates to perform conservation projects on their properties.

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally designated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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

D. Assets, Liabilities, and Net Assets and Fund Balance

1. Cash

The District's cash are considered to be demand deposits and short term investments (certificates of deposit) with original maturities of three months or less from the date of acquisition.

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. All amounts are expected to be repaid within one year.

Loans receivable represent outstanding low interest balances from landowners within the District. Generally, the loans are repayable in annual installments over 10 years at an interest rate of 4.0% to 5.5%. An allowance for doubtful accounts has not been recorded since all loans are considered collectible.

Accounts payable consist of amounts due to vendors and service providers such as subcontractors who have worked on conservation projects.

3. Capital Assets

Capital assets, which include property, equipment (including software), and are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by state law as assets with an initial cost of \$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. The District has no infrastructure.

Equipment of the District is depreciated using the straight line method over the following estimated useful lives recommended by the Internal Revenue Service:

Equipment	5 years
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4. Net Assets and Fund Balance

Net assets as reported in Exhibit 1 are associated with general government assets and liabilities in the government-wide financial statements. Net assets are restricted for amounts invested in capital assets (net of related debt) and restrictions for conservation projects and loan repayments.

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Fund balance as reported in Exhibit 3 represents assets less liabilities of the governmental fund types. A portion of fund balance of the special revenue funds is reserved for the weatherization program and loan repayments. There are no reservations of the general fund balance, although \$36,404 has been designated for payment of FY06 expenditures.

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
ROOSEVELT 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 <u>Fund</u>	Weather <u>Modification</u>	Loan <u>Program</u>
Non-GAAP revenues (Exhibit 5)	\$ 75,269	\$ 200,016	\$ 76,294
Prior year receivables	-	-	(1,822)
Less: Loan repayments from ranchers	-	-	(67,587)
Current year receivables	-	-	4,990
GAAP revenues (Exhibit 4)	<u>\$ 75,269</u>	<u>\$ 200,016</u>	<u>\$ 11,875</u>
Non-GAAP expenditures (Exhibit 5)	\$ 63,585	\$ 116,847	\$ 60,175
Prior year payable	(4,140)	-	-
Prepaid expense	(1,000)	-	-
Less: Loans to ranchers	-	-	(30,000)
Current year payable	195	20,000	-
GAAP expenditures (Exhibit 4)	<u>\$ 58,640</u>	<u>\$ 136,847</u>	<u>\$ 30,175</u>

III. Detailed Notes on all Funds

A. Cash

As of June 30, 2005, the District had a carrying amount of deposits of \$332,644. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$2,335. The total bank balance of \$334,978 consisted of the following:

<u>Portales National Bank</u>	
Demand deposits	\$ 159,399
Less: FDIC coverage	<u>(100,000)</u>
Amount uninsured	<u>\$ 59,399</u>
50% collateral requirement (Section 6-10-17 NMSA 1978)	\$ 29,700
Pledged securities at fair market value	-
Over (Under) Collateralization	<u>\$ (29,700)</u>

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

New Mexico Bank & Trust

Demand deposits	\$ 125,286
Less: FDIC coverage	<u>(100,000)</u>
Amount uninsured	<u>\$ 25,286</u>

50% collateral requirement (Section 6-10-17 NMSA 1978)	\$ 12,643
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Pledged securities at fair market value Over (Under) Collateralized	<u>112,754</u> <u>\$ 100,111</u>
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Pledged collateral is held under joint safekeeping in the name of the District at Commerce Bank in Kansas City, Missouri. The securities, FNMA Remic Bonds (CUSP #3133T5LK7), have a maturity date of August 15, 2023.

First Financial

Demand deposits	\$ 50,293
Less: FDIC coverage	<u>(50,293)</u>
Amount uninsured	<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, 2005, \$59,399 of the total bank balances of \$334,978 was exposed to custodial credit risk because it was uninsured and uncollateralized.

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

B. Capital Assets

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

Description	Balance		Additions	Deletions	Balance	
	6/30/2004	6/30/2005			6/30/2004	6/30/2005
Equipment	\$ 12,059	\$ 13,449	\$ 1,390	\$ -	\$ 13,449	
Totals	<u>12,059</u>	<u>13,449</u>	<u>1,390</u>	<u>-</u>	<u>13,449</u>	
Less accumulated depreciation for:						
Equipment	10,485	11,909	1,424	-	11,909	
Totals accumulated depreciation	<u>10,485</u>	<u>11,909</u>	<u>1,424</u>	<u>-</u>	<u>11,909</u>	
Governmental activities capital assets, net	<u>\$ 1,574</u>	<u>\$ (34)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,540</u>	

C. Long-Term Debt

Note Payable

The District has entered into three loan agreements with the New Mexico Interstate Stream Commission for the purpose of lending funds to landowners in the District for waster conservation projects. The terms of the agreements are as follows:

Loan #	465	474	495
Date of Loan	7/1/00	7/1/01	6/30/03
Amount of Loan	150,000	250,000	70,000
Interest Rate	2.5%	2.5%	2.5%
Total Years	20	20	20
Yearly Payment	\$9,622	\$16,037	\$4,529

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Note Payable

The debt service requirements to maturity at June 30, 2005 are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/06	\$ 11,236	\$ 2,877	\$ 14,113
6/30/07	22,320	7,830	30,150
6/30/08	22,877	7,272	30,149
6/30/09	23,449	6,699	30,148
6/30/10	22,365	6,114	28,479
2011 - 2015	79,800	23,003	102,803
2016 - 2020	90,286	12,038	102,324
2021 - 2023	43,734	1,810	45,544
Total	\$ 316,067	\$ 67,643	\$ 383,710

Changes in Long-term Liabilities

Long-term debt activity for the year ended June 30, 2005 was as follows:

	<u>Balance 6/30/04</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/05</u>	<u>Amount due within 1 year</u>
NMISC					
Loan Payable	<u>\$ 337,772</u>	<u>-</u>	<u>21,705</u>	<u>316,067</u>	<u>\$ 11,236</u>

IV. Other Information

A. 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

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NOTES TO THE FINANCIAL STATEMENTS
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required to obtain a corporate surety bond on behalf of persons responsible for District assets. The District currently maintains a \$150,000 surety bond as well as commercial property coverage. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

B. Related Party Transactions

A member of the Board of Supervisors has an outstanding loan with the District's Interstate Stream Commission Loan Program.

The member borrowed a total of \$30,000 with a promissory note that was approved prior to the beginning of the current year at the rate of 5.0% per annum for a period of seven years. The loan receivable outstanding at year end was \$9,640. Also, the same member has a loan on equipment for \$11,695.

C. Subsequent Event

The District requested funding from the New Mexico State Legislature and was granted \$450,000 in capital outlay monies for the purpose of constructing a new District office building.

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 District 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. Karl Cox, Jr., Chairman
and Members of the Board of Supervisors
Roosevelt Soil and Water Conservation District
705 E. Canadian
Portales, NM 88130

We have audited the accompanying financial statements of the governmental activities, each major fund and the respective budgetary comparisons of the Roosevelt Soil and Water Conservation District (District) as of and for the year ended June 30, 2005 and have issued our report dated April 7, 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 items 03-01 and 05-04.

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, of the reportable conditions described above, we consider none 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* which are described in the accompanying schedule of findings and recommendations as items 03-03, 05-01, 05-02, 05-03, 05-05 and 05-06.

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

April 7, 2006

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

STATUS OF PRIOR YEAR AUDIT FINDINGS

- 03-01 Cash Receipts (Repeated and Modified)
- 03-02 Inaccurate Financial Reporting (Resolved)
- 03-03 Insufficient Insurance (Repeated and Modified)

CURRENT YEAR AUDIT FINDINGS

- 03-01 Cash Receipts
- 03-03 Insufficient Insurance Protection
- 05-01 ISC Loan Program Files
- 05-02 Excess ISC Loan Funds Not Returned
- 05-03 Inadequate Supporting Documentation for Expenditure
- 05-04 Inadequate Payroll Documentation
- 05-05 Under Collateralized Deposits
- 05-06 Over Expended Budget

03-01. Cash Receipts (Modified and Repeated)

Condition

Although there has been improvement in the issuance of cash receipts, receipts were not always issued. Also, some receipts which were issued did not have the method of payment (cash, check or money order) indicated. Out of 36 receipts tested, in 10 instances cash was not deposited to the bank within 24 hours of receipt and in eight instances, the receipts were not issued and therefore the auditors could not determine if they were deposited on time. Out of 36 receipts tested, six receipts totaling \$105.25 were

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FINDINGS AND RECOMMENDATIONS
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combined into five deposits totaling \$125.00 resulting in excess deposits of \$19.75. Source of the \$19.75 is unidentified.

Criteria

Section 6-10-3 NMSA 1978 requires deposit of all receipts within 24 hours of intake. Good accounting practices further require documentation and formalized procedures for handling petty cash.

Effect

The audit trail is impaired. The source of some deposits cannot be identified. Also, in past years auditors were unable to track receipts of cash to subsequent bank deposits or petty cash disbursements.

Auditors had to contact the District's outside accountant to determine the proper allocation of lump sum payments to individual loan balances.

Cause

Cash received is put into an envelope and is not deposited to the bank on a daily basis. Deposits of cash are made to bank on a sporadic basis. Other persons accept cash and issue receipts on days when the clerk does not work. However, they do not deposit funds to the bank and have access to cash on hand.

Recommendation

Deposit cash received within 24 hours (or as is reasonably possible without incurring additional payroll expense). Deposit all cash in the same amount as received and do not commingle with petty cash.

Board should establish a formal petty cash fund of \$50 to \$100. Require all disbursements to be documented with a receipt. Include a written description of all non-receipted items. Periodically replenish funds as needed by check.

Obtain data from the fiscal agent and issue receipts for the LEPA and Weather Modification programs by individual payer. Consider using separate receipt booklets for each program.

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

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District's Response

The District clerk will try to do her best to monitor the cash receipts. Deposits will also be made as soon as possible. Since the clerk only works three days per week, she will only be able to deposit the cash on those days.

A petty cash fund will be put in place.

Receipts for the LEPA loan account and the Weather Mod accounts will be recorded in separate receipt books.

03-03. Insufficient Insurance Protection

Condition

The District's surety bond does not sufficiently protect the District's cash assets from theft or embezzlement by District employees and/or elected officials. Cash balances totaled \$332,562 at year-end.

Criteria

Sound financial management requires that the District sufficiently protect all cash assets from loss due to theft or embezzlement.

Effect

Cash assets are underinsured and susceptible to uninsured loss.

Cause

Although the District increased its surety bond in the past, cash balances continue to increase above the insured level.

Recommendation

Monitor and periodically report cash asset balances to the Board to periodically reevaluate for adequacy.

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District's Response

The District is aware of the insufficient surety bond.

05-01. ISC Loan Program Files

Condition

The District's loan files do not include all the items required by the Reloan Program Consensus Criteria that is part of the District's agreement with the Interstate Stream Commission. The files are not kept in any consistent manner and there are no files for some of the outstanding loans.

Criteria

Per section 8 (purpose) of the loan agreement dated November 13, 2003, all conservation undertakings shall be carried out in strict compliance with good engineering practices, the laws of the State of New Mexico, and Reloan Program Consensus Criteria adopted by the Commission. One criterion is that a District must maintain a file with project documentation approved by ISC, including a location map showing the project area, identifying property, and number of acres associated with the improvement.

Effect

The District is not in compliance with its agreement with the Interstate Stream Commission and could jeopardize future funding.

Cause

The District Clerk stated that she thought that information was in the files.

Recommendation

Maintain file documentation as required by the ISC.

District's Response

The LEPA loan program will be monitored more carefully.

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05-02. Excess ISC Loan Funds Not Returned

Condition

During our audit, auditors did not find any remittance of excess funds to the New Mexico Interstate Stream Commission (ISC). Auditors calculated the amount of excess funds as of July 2, 2004 and determined that the District should have remitted \$124,827 to the NMISC in FY05 in accordance with the ISC agreement.

Criteria

The NMISC Loan Agreement, Item 4 - Remittance of Funds states "On July 2 of each year, so long and the District remains indebted to the Commission...it [District] will remit to the Commission any monies in said account ...in excess of Ten Thousand (\$10,000) or 25 % of the average of the funds loaned by the District in the preceding three years, whichever is greater."

Effect

The District does not comply with its Interstate Stream Loan Agreement.

Cause

The District Clerk stated the Board has not made a decision on the amount of funds to remit.

Recommendation

Excess funds should be remitted to the ISC as soon as possible. The District should then calculate excess funds as of July 2, 2006 and for each year thereafter to ensure future compliance with all the terms of the ISC agreement.

District's Response

The LBPA loan program will be monitored more carefully.

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05-03. Inadequate Supporting Documentation for Expenditure

Condition

Auditors noted a \$64 check issued to the District Clerk for mileage reimbursement which had no voucher authorizing it or any supporting documentation.

Criteria

Good accounting practice requires that all expenditures have supporting documents and proper authorization with the date it was authorized. Department of Finance and Administration (DFA) Rule 2.42.2 NMAC establishes travel and per diem regulations pursuant to various sections of New Mexico Statutes Annotated 1978 (NMSA) which requires details of travel for which mileage reimbursements are made.

Effect

Auditors could not evaluate the expenditure for appropriateness because there is no documentation to demonstrate that it was for a business related purpose. The expenditure may not comply with state law and DFA regulations for mileage payments.

Cause

The Board signed the check without ensuring that there was proper supporting documentation.

Recommendation

Ensure that every expenditure is authorized, dated and has supporting documents attached to vouchers. The mileage reimbursements should be supported by documenting time, date, vehicle information, odometer readings, distance and purpose of travel.

District's Response

The District will try to monitor expenditures more closely.

STATE OF NEW MEXICO
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FINDINGS AND RECOMMENDATIONS
JUNE 30, 2005

05-04. Inadequate Payroll Documentation

Condition

During our audit of payroll expenditures, auditors noted the following:

1. None of the timesheets were signed by a board member.
2. The District Clerk was paid for 404 hours of sick leave during FY 2005. The District doesn't have a sick leave and annual leave policy in effect and therefore the District Clerk doesn't earn sick and annual leave per say. The District Clerk is paid once a month and only one of the months had documentation that the payment was discussed and approved to pay for at a board meeting of December 2, 2004. All other payments pertaining to sick leave lack adequate documentation of approval.
3. We calculated hours from all timesheets and noted that 4 out of 12 timesheets had errors which resulted in overpayments of 32 hours or \$240.
4. Of four 941 forms for FY 2005, one for the quarter ending December 31, 2004 could not be located by the district clerk. We were unable to determine if gross wages for that quarter were reported accurately and in timely manner. Two of the three 941 quarterly reports submitted had copy of first page only for the District's record; therefore, auditors were unable to determine if they were filed on time. Of the three reports we could examine, two had discrepancies and overstated wages to IRS wages by \$19.60.

Criteria

Good accounting practice requires payroll expenditures to be documented such as an approved timesheet. Also, wages reported to IRS and to the State of New Mexico must agree to the expenses in the District's books. Copies of the quarterly 941 forms filed with IRS should include all pages of the form as supporting documents for payroll expenditure.

Effect

The District overpaid the District Clerk due to errors in timesheets. The 941 forms may not have been filed with correct amounts and in a timely manner; therefore, the District may not be in compliance with IRS rules.

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FINDINGS AND RECOMMENDATIONS
JUNE 30, 2005

Cause

The board failed to provide adequate oversight of the District Clerk.

Recommendation

Check timesheets for accuracy and have a board member sign the timesheets to document the check. Establish an annual and sick leave policy. Alternatively, document board approval of each instance granted and include in minutes. Complete copies of 941 forms should be retained in District files.

District's Response

Payroll has been changed from hourly wage to salary, making it simpler to issue monthly checks.

05-05. Under Collateralized Deposits

Condition

During our audit of the cash, we noted \$59,399 of the District's bank balance in the Portales National Bank was not insured or collateralized with securities as required by state law.

Criteria

Section 6-10-17, NMSA 1978 requires public funds to be collateralized. "The securities shall have an aggregate value equal to one-half the amount of public money to be received in accordance with Subsection B of Section 6-10-16 NMSA 1978."

Effect

In the event of a bank failure, the District could lose some deposits which are not collateralized.

Cause

The Board failed to provide adequate oversight to ensure compliance.

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Recommendation

The Board should monitor its bank balances more closely. If they exceed \$100,000 then the Board of Supervisors should request that the bank provide securities to the required level per state statute.

District's Response

All accounts are collateralized by both the Portales National Bank and the New Mexico Bank and Trust. Auditors were pressed for time in order for the banks to provide the letter of proof.

State Auditor's Response

Confirmations of collateral were received from both banks. This finding is based upon information provided by the banks. Neither of the banks has contacted the State Auditor to indicate that there was an error in the amounts confirmed.

05-06. Over Expended Budget

Condition

The District overexpended the budget for the Weather Modification fund by \$6,347.

Criteria

Department of Finance and Administration regulations and state law prohibit the over expenditure of an entity's budget.

Effect

The District might not have funds to cover future over expenditures.

Cause

The District did not submit a budget adjustment to DFA when additional funding was allocated to the Weather Modification Fund.

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Recommendation

The District should monitor its budget status more closely and submit budget adjustment requests to the Department of Finance and Administration for approval as required.

District's Response

The Weather Mod budget was not monitored close enough. This condition will be corrected.

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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 April 7, 2006, an exit conference was held at the District Office with Ms. Dona Hamer, District Clerk, and Ms. Mitzi Miller, Board Vice Chairperson and Mr. Karl Cox, Jr., Chairperson of the Roosevelt Soil and Water Conservation District. Representing the Office of the State Auditor were Sanjay Bhakta, Senior Auditor, and Joyce Sandoval, Audit Supervisor.