

STATE OF NEW MEXICO
ROOSEVELT
SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2006

(With Independent Auditor's Report Thereon)

STATE OF NEW MEXICO
ROOSEVELT 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
Reconciliation of the Balance Sheet – Governmental Funds 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 Activities to the Statement of Revenues, Expenditures and Changes in Fund Balances		8
- Governmental Funds		
Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis)		
– General and Special Revenue Funds	5	9-10
Notes to the Financial Statements		11
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>		21
Schedule of Findings and Responses		23
Exit Conference		32

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
JUNE 30, 2006

<u>Board of Supervisors</u>	<u>Position</u>
Karl Cox, Jr.	Chairperson
Mike Cone	Vice-Chairperson
George Hay	Secretary/Treasurer
Don Sanders	Supervisor
Gene Massey	Supervisor
Mitzi Miller	Supervisor
<u>District Personnel</u>	<u>Title</u>
Dona Hamar	District Clerk



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

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, 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 each major fund of the District as of June 30, 2006, and the respective changes in financial position, thereof and the budgetary comparisons for the 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

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 28, 2008 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

May 28, 2008

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

Exhibit 1

	Governmental Activities
Assets	
Cash	\$ 218,556
Interest receivable	2,391
Accounts receivable - loans from ranchers	158,799
Accounts receivable - Water Conditioner	11,695
Accounts receivable - Windbreak	28,851
Capital assets, net	38,756
Total assets	459,048
Liabilities	
Accounts payable	195
Current liabilities - Due within one year	14,024
Noncurrent liabilities - Due in more than one year	279,795
Total liabilities	294,014
Net Assets	
Invested in capital assets	38,756
Restricted for loan program	9,595
Restricted for weatherization program	15,521
Unrestricted	101,162
Total net assets	\$ 165,034

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, 2006

	Governmental Activities
Program Expenses:	
Conservation:	
Administration	\$ 52,402
Conservation programs	55,000
Depreciation	631
Interest	7,514
	<u>115,547</u>
Total program expenses	115,547
Program Revenues:	
Charges for services	<u>59,948</u>
Total program revenues	<u>59,948</u>
Net program (expense) revenue	<u>(55,599)</u>
General Revenues:	
NMDA allotment	8,949
Miscellaneous	384
Interest	<u>2,772</u>
Total general revenues	<u>12,105</u>
Change in net assets	(43,494)
Net assets at beginning of year	<u>208,528</u>
Net assets at end of year	<u><u>\$ 165,034</u></u>

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, 2006

Exhibit 3

	General Fund	Weather Modification	Loan Program	Total
Assets				
Cash	\$ 60,811	\$ 15,521	\$ 142,224	\$ 218,556
Accounts receivable - ranchers	-	-	158,799	158,799
Accounts receivable - water conditioner	11,695	-	-	11,695
Accounts receivable - windbreak	28,851	-	-	28,851
Interest receivable	-	-	2,391	2,391
Total assets	<u>\$ 101,357</u>	<u>\$ 15,521</u>	<u>\$ 303,414</u>	<u>\$ 420,292</u>
Liabilities and fund balance				
Liabilities:				
Accounts payable	\$ 195	\$ -	\$ -	\$ 195
Interest payable to ISC	-	-	-	-
Total liabilities	<u>195</u>	<u>-</u>	<u>-</u>	<u>195</u>
Fund balance:				
Reserved for ISC loan repayment	-	-	303,414	303,414
Reserved for weather modification	-	15,521	-	15,521
Unreserved, designated for subsequent year's expenditures	37,306	-	-	37,306
Unreserved, undesignated	63,856	-	-	63,856
Total fund balance	<u>101,162</u>	<u>15,521</u>	<u>303,414</u>	<u>420,097</u>
Total liabilities and fund balance	<u>\$ 101,357</u>	<u>\$ 15,521</u>	<u>\$ 303,414</u>	<u>\$ 420,292</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 - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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) \$ 420,097

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 38,756

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

Notes payable (293,819)

Accrued interest payable -

Net Assets - Statement of Net Assets (Exhibit 1) \$ 165,034

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 REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Exhibit 4

	General Fund	Weather Modification	Loan Program	Total
Revenues				
State allocation	\$ 8,949	\$ -	\$ -	\$ 8,949
Project revenue/tree program	50,293	-	-	50,293
Interest	2,565	-	9,862	12,427
Miscellaneous	384	-	-	384
Total revenues	<u>62,191</u>	<u>-</u>	<u>9,862</u>	<u>72,053</u>
Expenditures				
Conservation:				
Current:				
Payroll	9,219	-	-	9,219
Payroll taxes	1,766	-	-	1,766
Per diem and mileage	271	-	-	271
Dues	2,247	-	-	2,247
Office expense	1,088	-	-	1,088
Advertising	44	-	-	44
Windbreak expense (tree program)	29,506	-	-	29,506
CRS tax	872	-	-	872
Weather Modification	-	55,011	-	55,011
Bonding	557	-	-	557
Meeting expense	6,142	-	-	6,142
Awards	540	-	-	540
Soil stewardship	150	-	-	150
Repair and maintenance	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	37,848	-	-	37,848
Debt Service:				
Principal	-	-	22,646	22,646
Interest	-	-	7,503	7,503
Total expenditures	<u>90,250</u>	<u>55,011</u>	<u>30,149</u>	<u>175,410</u>
Net change in fund balances	(28,059)	(55,011)	(20,287)	(103,357)
Fund balance beginning of year	129,221	70,532	323,701	523,454
Fund balance end of year	<u>\$ 101,162</u>	<u>\$ 15,521</u>	<u>\$ 303,414</u>	<u>\$ 420,097</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 STATEMENT OF ACTIVITIES TO THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net change in fund balance - Governmental Funds (Exhibit 4) \$ (103,357)

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	37,848
Depreciation expense	(631)

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:

Principal payments on ISC loans	<u>22,646</u>
---------------------------------	---------------

Change in net assets - Statement of Activities (Exhibit 2)	<u>\$ (43,494)</u>
--	--------------------

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 REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006
 Exhibit 5

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
State allocation	\$ 10,296	\$ 10,296	\$ 8,949	\$ (1,347)
Project revenue	-	-	-	-
Windbreak program	50,000	50,000	21,442	(28,558)
Interstate Stream Commission	-	-	-	-
Loan Repayments from Ranchers	-	-	-	-
Interest	500	500	2,565	2,065
Refunds and reimbursements	-	-	-	-
Miscellaneous	-	-	384	384
Total Revenues	60,796	60,796	33,340	(27,456)
Cash balance budgeted	36,404	36,404		
Total revenues and cash balance budgeted	<u>\$ 97,200</u>	<u>\$ 97,200</u>		
Expenditures				
Current:				
Payroll	\$ 15,000	\$ 15,000	\$ 9,219	\$ 5,781
Payroll taxes	2,000	2,000	1,766	234
Per diem and mileage	1,500	1,500	271	1,229
Dues	2,000	2,000	1,247	753
Office expense	1,500	1,500	1,088	412
Advertising	500	500	44	456
Awards and special events	2,000	2,000	540	1,460
Windbreak expense (tree program)	45,000	45,000	29,506	15,494
CRS tax	8,000	8,000	872	7,128
Demonstration projects	2,000	2,000	-	2,000
Weather Modification program	5,000	5,000	-	5,000
Bonding	700	700	557	143
Meeting expense	10,000	10,000	6,142	3,858
Information & Education	-	-	150	(150)
Soil stewardship	-	-	-	-
Equipment	-	-	-	-
Land	-	-	37,848	(37,848)
Miscellaneous	2,000	2,000	-	2,000
Loans to ranchers	-	-	-	-
Loans repaid to ISC	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>\$ 97,200</u>	<u>\$ 97,200</u>	<u>\$ 89,250</u>	<u>\$ 7,950</u>

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

Loan Fund				
Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	
\$ -	\$ -	\$ -	\$ -	
60,000	60,000	64,521	4,521	
1,200	1,200	12,462	11,262	
61,200	61,200	<u>\$76,983</u>	<u>\$15,783</u>	
88,800	88,800			
<u>\$ 150,000</u>	<u>\$ 150,000</u>			
\$ -	\$ -	\$ -	\$ -	
150,000	150,000	30,000	120,000	
-	-	30,149	(30,149)	
-	-	-	-	
-	-	-	-	
<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 60,149</u>	<u>\$ 89,851</u>	

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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). 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
ROOSEVELT 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; such as the sale of trees and windbreak products, and reimbursements of program expenditures and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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.

The District reports the following major governmental funds:

STATE OF NEW MEXICO
ROOSEVELT 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.

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.

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 and Cash Equivalents

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

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.

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

Accounts receivable – loans from ranchers, represent outstanding loan 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%. Accounts receivable – windbreak, represents windbreak supplies that were purchased from the District by land owners in the current year and paid for in the subsequent fiscal year. Accounts receivable – water conditioner, represents a balance due for a water conditioner that was purchased from the District by a land owner in Fiscal Year 2004. See note IV B for more detail on this receivable. 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 land are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by state law as assets with an initial cost of \$5,000 and an estimated useful life of more than one year. Capitalized land is not depreciated. 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
-----------	---------

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. The District's net assets consist of three components – invested in capital assets, which is the cost of capital assets, net of accumulated depreciation, unrestricted nets assets, and restricted net assets- wherein the constrains are placed on net asset use either by creditors (such as through debt covenants), grantors, contributors, laws or

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District's net assets consist of \$38,756 invested in capital assets, and \$15,521 is restricted for conservation projects and \$9,595 restricted for loan repayments.

Fund balance, as reported in Exhibit 3 represents assets less liabilities of the governmental fund types. The general and special revenue funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific use. Designations may be established to indicate tentative plans for resource utilization in a future period. There are no reservations of the general fund balance, although \$37,306 of the unreserved portion has been designated for subsequent year expenditures to balance the budget. Fund balance for the special revenue funds is reserved for loan repayment and the weatherization program.

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
ROOSEVELT 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 Budgetary Basis to GAAP Basis Financial Statements

	Weather		
	General Fund	Modification	Loan Program
Non-GAAP Revenues (Exhibit 5)	\$ 33,340	\$ -	\$ 76,983
Prior year interest receivable	-	-	(4,990)
Current year interest receivable	-	-	2,391
Prior year receivables	(11,695)	-	(193,320)
Current year receivables	11,695	-	158,798
Current year receivable - new loan	28,851	-	(30,000)
GAAP revenues (Exhibit 4)	<u>\$ 62,191</u>	<u>\$ -</u>	<u>\$ 9,862</u>
Non-GAAP Expenditures (Exhibit 5)	\$ 89,250	\$ 75,011	\$ 60,149
Prior year accounts payable	(195)	(20,000)	-
Less: new loans to ranchers	-	-	(30,000)
Prior year prepaid expense	1,000	-	-
Current year payable	195	-	-
GAAP expenditures (Exhibit 4)	<u>\$ 90,250</u>	<u>\$ 55,011</u>	<u>\$ 30,149</u>

When the District receives cash relating to a loan receivable they record the transaction on a cash basis by recording revenue instead of a reduction to the receivable as required by GAAP. When the District issues a loan to a rancher, they record the transaction as an expenditure in the year the cash is disbursed instead of an addition to the receivable balance as required by GAAP. Payables are recognized as an expenditure in the year the good or service is received on the GAAP basis. The District does not recognize expenditures until the cash transaction occurs. Interest receivable is recorded as revenue by the District when the cash is received instead of recording the interest revenue when the interest is earned as required by GAAP.

III. Detailed Notes on all Funds

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

A. Cash and Cash Equivalents

As of June 30, 2006, the District had a carrying amount of deposits of \$218,556. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$26,416. The total bank balance of \$244,972 consisted of the following:

<u>Portales National Bank</u>	
Demand deposits	\$ 24,767
Less: FDIC coverage	<u>(24,767)</u>
Amount uninsured	<u>\$ -0-</u>
<u>New Mexico Bank & Trust</u>	
Demand deposits	\$ 167,778
Less: FDIC coverage	<u>(100,000)</u>
Amount uninsured	<u>\$ 67,778</u>
50% collateral requirement (Section 6-10-17 NMSA 1978)	\$ 33,889
Pledged securities at fair market value Over (Under) Collateralized	<u>111,980</u> <u>\$ 78,091</u>

Pledged collateral is held under joint safekeeping in the name of the District at Commerce Bank in Kansas City, Missouri. The securities, FNMA REMIC Series 1727 Bonds (CUSIP #3133T5LK7), have a maturity date of August 15, 2023.

First Financial

Saving Deposits	\$ 105
Time Deposits	52,322
Less: FDIC coverage	<u>(52,427)</u>
Amount uninsured	<u>\$ -0-</u>

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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, there were no bank balances exposed to custodial credit risk.

B. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

<u>Description – Governmental Activities</u>	<u>Balance</u> <u>6/30/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2006</u>
Assets not being depreciated				
Land	\$ -	\$ 37,847	\$ -	\$ 37,847
Total not depreciated	-	37,847	-	37,847
Assets being depreciated				
Equipment	<u>13,449</u>	-	-	<u>13,449</u>
Total capital assets being depreciated	<u>13,449</u>	-	-	<u>13,449</u>
Less: Accumulated Depreciation				
Equipment	<u>11,909</u>	631	-	<u>12,540</u>
Total accumulated depreciation	<u>11,909</u>	631	-	<u>12,540</u>
Governmental activities capital assets, net	<u>\$ 1,540</u>	<u>\$ 37,216</u>	<u>\$ -</u>	<u>\$ 38,756</u>

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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 water 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	\$4,490

Note Payable

The debt service requirements to maturity at June 30, 2006 are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 14,023	\$ 7,830	\$ 21,853
2008	23,154	7,272	30,426
2009	23,733	6,700	30,433
2010	24,327	6,113	30,440
2011	22,166	5,513	27,679
2012-2016	83,401	20,841	104,242
2017-2021	94,360	9,781	104,141
2022-2023	8,655	717	9,372
Total	<u>\$ 293,819</u>	<u>\$ 64,767</u>	<u>\$ 358,586</u>

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

Changes in Long-term Liabilities

Long-term debt activity for the year ended June 30, 2006 was as follows:

	Balance 6/30/05	Increases	Decreases	Balance 6/30/06	Amount due within 1 year
NMISC					
Loan Payable	<u>\$ 316,067</u>	<u>—</u>	<u>22,248</u>	<u>293,819</u>	<u>\$ 14,024</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 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 outstanding loans with the District's Interstate Stream Commission Loan Program.

In Fiscal Year 2000, the member borrowed a total of \$30,000 with a promissory note at a rate of 5.0% per annum for a period of seven years. The loan receivable outstanding at year end was \$1,231. The same member has an additional loan on equipment for \$11,695 that originated in Fiscal Year 2004.



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. 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, 2006 and have issued our report dated May 28, 2008. 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 initiate, record, process, 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 Responses 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 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, we believe that none of the reportable conditions described above are a 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 Responses as items 05-01, 05-02, 05-03, 05-06, and 06-1.

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, New Mexico Department of Finance and Administration, 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 28, 2008

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF
FINDINGS AND RESPONSES
JUNE 30, 2006

STATUS OF PRIOR YEAR AUDIT FINDINGS

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

CURRENT YEAR AUDIT FINDINGS

- 03-01 Cash Receipts
- 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
- 05-06 Over Expended Budget
- 06-01 Improper Related Party Transaction

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF
FINDINGS AND RESPONSES
JUNE 30, 2006

03-01 Cash Receipts (Modified and Repeated)

Condition

Although the current year audit has revealed improvement in the issuance of cash receipts, receipts were not issued in every instance. In 2 out of 11 receipts tested, receipts were not issued and therefore limited the ability to determine if those specific receipts were deposited on time. In addition, we were unable to determine the method of payment received (cash, check, or money order) for the 2 receipts that were not issued. Through discussion, it was also noted that there are no formal policies for petty cash handling.

Criteria

Section 6-10-3 NMSA 1978 requires deposit of all receipts within the subsequent day close of businesses of intake. Proper accounting practices further require documentation and formalized procedures for handling petty cash.

Effect

The audit trail is impaired. The source of a number of deposits cannot be identified.

Cause

Deposits of cash are not made on a determined basis. Other agency employees in the building accept cash and issue receipts on days when the clerk is not in the office. However, receipts are not always consistently issued. In addition, the District has not established a formal petty cash policy.

Recommendation

Deposit cash received within 24 hours (or as is reasonably possible without incurring additional expense). Deposit all cash in the same amount as received.

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

District's Response

\$100 is kept in petty cash all other money is deposited.

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF
FINDINGS AND RESPONSES
JUNE 30, 2006

05-01 ISC Loan Program Files (Modified and Repeated)

Condition

In a sample of 16 files, 4 files lacked loan applications, 8 files lacked promissory notes, and all 16 lacked a map of the property. 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.

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 the District must maintain each 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 which could jeopardize future funding.

Cause

The District has not made it a practice to consistently retain all of the required documentation used when generating loans.

Recommendation

Maintain file documentation as required by the ISC.

District's Response

Maps are now in every file; furnished by NRCS.

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF
FINDINGS AND RESPONSES
JUNE 30, 2006

05-02 Excess ISC Loan Funds Not Returned (Modified and Repeated)

Condition

During our audit, we did not observe any evidence of remittance of excess funds to the New Mexico Interstate Stream Commission (ISC). The calculated amount of excess funds as of July 2, 2005 was \$115,286. This amount should have been remitted to the NMISC in FY 2006 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 as 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 is not in compliance with the Interstate Stream Commission Loan Agreement.

Cause

The District Clerk has not adequately been monitoring the amount of funds that are required to be remitted.

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 the ISC agreement.

District's Response

Money has been sent back in the 2007 year.

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF
FINDINGS AND RESPONSES
JUNE 30, 2006

05-03 Inadequate Supporting Documentation for Expenditure (Modified and Repeated)

Condition

Out of 15 expenditures tested, the following was noted: 2 instances where the amount recorded in the general ledger did not agree to the supporting documentation for the amounts of \$177.60 and \$124.70, 2 instances in the amounts of \$38.87 and \$52.17 that lacked proper account coding, and 3 instances of non-compliance with the State's Per Diem and Mileage Regulations in the amounts of \$93.45 – per diem incorrectly calculated, \$177.60 – incorrect calculation of mileage and no signed travel voucher, and \$124.70 - incorrect calculation of mileage and lack of travel voucher.

Criteria

Proper 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 10-8-1 through 10-8-7 sections of New Mexico Statutes Annotated 1978 (NMSA) which requires details of travel for which mileage reimbursements are made. This act also states that meals will only be reimbursed when they are related to overnight travel or for hours worked greater than two beyond the normal work day hours.

Effect

In the case of missing supporting documentation, expenditures could not be evaluated for appropriateness due to the lack of documentation to demonstrate that it was for a business related purpose. Expenditures may not comply with state law and DFA regulations for mileage and meal payments; employees who receive any excess amount of per diem and mileage payment would be responsible for two times the overpaid amount per Section 10-8-7 NMSA 1978.

Inaccurate and omitted account coding can skew budget reports and subsequent year budgeting.

Cause

The Board signed the checks without ensuring that there was existence of proper supporting documentation and the accuracy of such.

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF
FINDINGS AND RESPONSES
JUNE 30, 2006

Recommendation

The District should ensure that every expenditure is authorized, dated and that supporting documents are attached to vouchers. The mileage reimbursements should be supported by documenting the time, date, vehicle information, odometer readings, distance and purpose of travel. Meal reimbursements should be carefully reviewed for compliance with the State's Per Diem and Mileage Regulations. The District should also ensure that account coding is proper and reflective of the expenditure before entering into the general ledger.

District's Response

The District now has an Operations handbook stating how to handle the per diem expense.

05-04 Inadequate Payroll Documentation (Modified and Repeated)

Condition

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

1. None of the timesheets were signed by a board member. The only source of approval was documented on the purchase voucher signed by a board member.
2. The District Clerk was paid for 24 hours of sick leave and 16 hours of vacation during FY 2006. The District doesn't have a sick leave or annual leave policy in effect and, therefore, the District Clerk technically doesn't earn sick nor annual leave per say. The District Clerk is paid once a month and there was a lack of adequate support for the sick and vacation time paid out.

Criteria

Proper accounting practice requires payroll expenditures to be documented on a timesheet approved by a supervisor or board member. Sick and vacation hours should be supported by a written approval/acknowledgement and a formal written District Policy.

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF
FINDINGS AND RESPONSES
JUNE 30, 2006

Effect

The District lacks the support it needs to substantiate certain payroll expenditures.

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 verification and approval. Establish a written annual and sick leave policy; alternatively, document Board approval and include in the related minutes.

District's Response

The Clerk is now on a salary making the salary expense easier to track.

05-06 Over Expended Budget (Modified and Repeated)

Condition

The District's actual expenditures were in excess of the budgeted amount for the Weather Modification fund by \$29,012.

Criteria

Department of Finance and Administration regulations and state law 6-6-6 NMSA 1978 prohibit the over expenditure of an entity's budget. Requests for budget adjustments should be submitted to DFA for approval prior to expenditures in excess of the approved budget being made.

Effect

If over-expending continues, the District might not have funds to cover future expenditures in excess of budgeted amounts.

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF
FINDINGS AND RESPONSES
JUNE 30, 2006

Cause

The District did not submit a budget adjustment request to DFA-LGD for approval before additional expenditures were anticipated.

Recommendation

The District should monitor its budget status more closely and submit budget adjustment requests to the Department of Finance and Administration's Local Government Division (DFA-LGD) for approval as required.

District's Response

The Weather Modification account is no longer active until further funding. The clerk was not aware of an over expended budget.

06-01 Improper Related Party Transaction

Condition

In the prior 2004 fiscal year, the District entered into a loan agreement with a Board member. The agreement involved the District purchasing a piece of equipment for \$11,695 and immediately selling the equipment to a board member, financed as a loan through the District. The agreement required the board member to repay the \$11,695 interest free loan, over a five year period, beginning December 1, 2004. As of FYE 6/30/2006, no payments have been made. The District Board decided to extend the term of the agreement for an indefinite period.

Criteria

Good accounting practices require that related party transactions are done on an arm's-length basis. Lending on an interest-free basis to a board member does not constitute an arm's-length transaction.

Effect

Due to the contractual provision of an interest free loan, the District has forgone interest income and given preferential treatment to a board member. In addition, the District has

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF
FINDINGS AND RESPONSES
JUNE 30, 2006

paid 2.5% interest on the amount loaned as the money that was used to finance the loan is charged at 2.5%.

Cause

The District did not apply proper accounting practices when entering into and approving the related party agreement.

Recommendation

The District should ensure that all related party agreements adhere to the same lending standards in the normal course of business. The District should develop an adequate repayment plan to ensure the loan payments are caught up and future payments are made according to the loan agreement.

District's Response

Mike Come has made two payments on the water conditioner. His balance is \$7,017.00. The Board has informed him to pay off in full if possible.

STATE OF NEW MEXICO
ROOSEVELT 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 May 28, 2008, an exit conference was conducted with representatives from the District Office including Ms. Dona Hamar, District Clerk, and Mr. Mike Cone, Board Vice Chairperson of the Roosevelt Soil and Water Conservation District. Representing the Office of the State Auditor was Natalie Cordova, Audit Supervisor.