

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

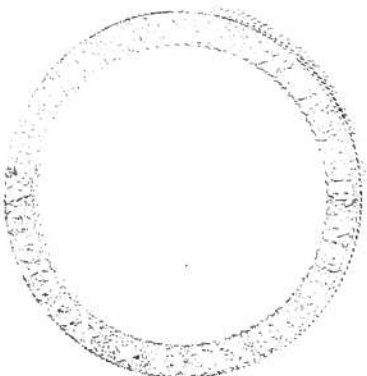
**STATE OF NEW MEXICO**

**SALADO**

**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**

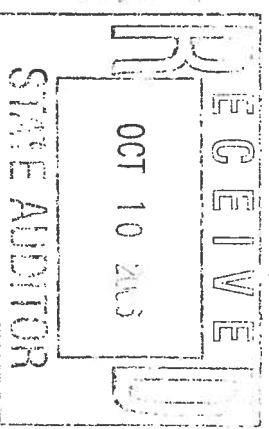
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STATE OF NEW MEXICO  
SALADO SOIL AND WATER CONSERVATION DISTRICT

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JUNE 30, 2005

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STATE OF NEW MEXICO  
SALADO SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER  
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
John Hand	Chairperson
Mike McWhorter	Vice-Chairperson
Jack Bruton	Secretary/Treasurer
Jerry McPhaul	Supervisor
Russell Walraven	Supervisor

<u>District Personnel</u>	<u>Title</u>
Loretta Rael	Administrative Secretary



# 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. Jerry McPhaul, Chair  
and Members of the Board of Supervisors  
Salado Soil and Water Conservation District  
P.O. Box 136  
Datil, New Mexico 87821

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated 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  
SALADO SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

Exhibit 1

	Governmental Activities
<b>Assets</b>	
Cash	\$ 31,547
Total assets	<u>31,547</u>
<b>Liabilities</b>	
Accounts payable	<u>131</u>
Total liabilities	<u>131</u>
<b>Net Assets</b>	
Unrestricted	<u>31,416</u>
Total net assets	<u><u>\$ 31,416</u></u>

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

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

	Governmental Activities
<b>Program Expenses:</b>	
Conservation:	
Current:	
Personnel	\$ 2,693
Payroll taxes	463
Travel and per diem	1,455
Office expenses	36
Postage	176
Dues	1,200
Bonding	100
Brush control projects	2,124
Information, education and workshops	716
Noxious weed program	150
Depreciation expense	-
Total program expenses	<u>9,113</u>
<b>Program Revenues:</b>	
Charges for services	310
County operating grants	1,000
Total program revenues	<u>1,310</u>
Net program (expense) revenue	<u>(7,803)</u>
<b>General Revenues:</b>	
State allotment	8,211
Miscellaneous	30
Total general revenues	<u>8,241</u>
Change in net assets	438
Net assets at beginning of year	<u>30,978</u>
Net assets at end of year	<u><u>\$ 31,416</u></u>

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

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

	General Fund
<b>Assets</b>	
Cash	\$ 31,547
Total assets	<u>\$ 31,547</u>
<b>Liabilities and fund balance</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 131
Total liabilities	<u>131</u>
<b>Fund balance:</b>	
Unreserved, designated for subsequent year's expenditures	4,239
Unreserved, undesignated	<u>27,177</u>
Total fund balance	<u>31,416</u>
Total liabilities and fund balance	<u><u>\$ 31,547</u></u>

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



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

	<u>General Fund</u>
<b>Revenues</b>	
State allotment	\$ 8,211
County grants	1,000
Sales revenue - Velpar	310
Miscellaneous revenue	30
Total revenues	<u>9,551</u>
<b>Expenditures</b>	
Conservation:	
Current:	
Personnel	2,693
Payroll taxes	463
Travel and per diem	1,455
Office expenses	36
Postage	176
Dues	1,200
Bonding	100
Brush control projects	2,124
Information, education and workshops	716
Noxious weed program	150
Total expenditures	<u>9,113</u>
Net change in fund balance	438
Fund balance beginning of year	<u>30,978</u>
Fund balance end of year	<u>\$ 31,416</u>

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

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

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
State allotment	\$ 7,500	\$ 8,211	\$ 8,211	\$ -
County grants	2,000	1,000	1,000	-
Sales revenue - Velpar	-	-	310	310
Miscellaneous revenue	-	-	30	30
Total revenues	<u>9,500</u>	<u>9,211</u>	<u>\$ 9,551</u>	<u>\$ 340</u>
Cash balance budgeted	4,950	5,239		
Total	<u>\$ 14,450</u>	<u>\$ 14,450</u>		
<b>Expenditures</b>				
Current:				
Personnel	\$ 2,900	\$ 2,900	\$ 2,693	\$ 207
Payroll taxes	-	-	332	(332)
Travel and per diem	1,600	1,600	1,455	145
Office expenses	400	400	36	364
Postage	200	200	176	24
Dues	1,200	1,200	1,200	-
Bonding	100	100	100	-
Brush control projects	1,500	2,300	2,124	176
Information, education and workshops	800	800	716	84
District election and notice	250	250	-	250
Conservation cost share projects	5,000	4,200	-	4,200
Noxious weed program	500	500	150	350
Total expenditures	<u>\$ 14,450</u>	<u>\$ 14,450</u>	<u>\$ 8,982</u>	<u>\$ 5,468</u>

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

STATE OF NEW MEXICO  
SALADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Salado 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  
SALADO 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 such as tree sales and clearing services and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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  
SALADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

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

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, Net Assets and Fund Balance**

1. Cash

The District's cash account is considered to be a demand deposit.

2. Capital Assets

Capital assets, which include property and equipment (including software), are reported in the governmental activities column in the government-wide financial statements. Capital assets, are defined by state law, are assets with an initial cost of \$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. However, the District does not have any capital assets as of June 30, 2005. There was no infrastructure required to be capitalized and depreciated under GASB Statement No. 34.

3. Accounts Payable

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

STATE OF NEW MEXICO  
SALADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

4. Compensated Absences  
As of June 30, 2005, the District employee does not earn any annual vacation or sick leave.
5. Net Assets and Fund Balance

The difference between the District's assets and liabilities is its net assets. The District's net assets consist of two components – invested in capital assets, which is the cost of net assets, net of accumulated depreciation and unrestricted net assets; however, the District does not own assets required to be capitalized. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The District had no reservations at fiscal year-end.

**II. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

The budget is prepared on a basis that differs from accounting principles generally accepted in the United States of America (GAAP). GAAP basis revenues and expenditures include accrued amounts. The revenues and expenditures reported in the budgetary comparisons are generally recorded on the cash basis. The District uses the following procedures to establish the budgeted amounts reflected in the budgetary comparisons:

1. Prior to April 1, the Budget Committee submits to the District Board of Supervisors a proposed revenue and expenditure budget for the fiscal year beginning July 1.
2. The Board reviews the budget proposal and makes any necessary adjustments.
3. Prior to June 1, the Board approves the budget by passing a resolution.
4. Prior to June 20, the approved budget is submitted to the State of New Mexico, Department of Finance and Administration, Local Government Division (DFA-LGD) for approval by the first Monday of September. The Board receives notice of the approved budget.

STATE OF NEW MEXICO  
SALADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

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

**B. Reconciliation of Non-GAAP Budget to GAAP**

	General Fund
Non-GAAP revenues (Exhibit 5)	\$ 9,551
Current year receivables	-
GAAP revenues (Exhibit 4)	<u>\$ 9,551</u>
Non-GAAP expenditures (Exhibit 5)	\$ 8,982
Current year payable	131
GAAP expenditures (Exhibit 4)	<u>\$ 9,113</u>

**III. Detailed Notes on all Funds**

**A. Cash**

As of June 30, 2005, the District had a carrying amount of deposits of \$31,547. The bank balances for deposits were \$32,207. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$660. The total bank balance of \$32,207 consisted of the following:

<u>Wells Fargo Bank</u>	
Demand deposits	\$ 32,207
Less: FDIC coverage	(32,207)
Amount uninsured	<u>\$ -0-</u>

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2005 the District's bank balance was not exposed to custodial credit risk since it is fully insured by the FDIC.

STATE OF NEW MEXICO  
SALADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

**B. Capital Assets**

The District does not have any capital assets as of June 30, 2005.

**IV. Other Information**

**A. Employee Benefits**

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

**B. Risk Management**

The District is exposed to various risks of loss due to torts, theft or damage of assets, errors and omissions and natural disasters. The District's supervisors and employees are covered by an errors and omissions liability policy purchased by the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,050,000 for each wrongful act and \$1,050,000 for the policy aggregated.

The District is required to obtain a corporate surety bond on behalf of persons responsible for District assets. The District currently maintains a \$10,000 surety bond.

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

**C. Contingent Liabilities**

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





**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. Jerry McPhaul, Chair  
and Members of the Board of Supervisors  
Salado Soil and Water Conservation District  
P.O. Box 136  
Datil, New Mexico 87821

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Salado 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Compliance and Other Matters

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

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

*Office of the State Auditor*

OFFICE OF THE STATE AUDITOR

April 7, 2006

STATE OF NEW MEXICO  
SALADO SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2005

STATUS OF PRIOR YEAR AUDIT FINDINGS

None

CURRENT YEAR AUDIT FINDINGS

None

STATE OF NEW MEXICO  
SALADO SOIL AND WATER CONSERVATION DISTRICT

EXIT CONFERENCE  
JUNE 30, 2005

Financial Statement Preparation

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

Exit Conference

On April 7, 2006, an exit conference was held at the District Office with Mr. Jack Bruton Jr., Secretary/Treasurer and Ms. Loretta Rael, Secretary/Receptionist of the Salado Soil and Water Conservation District. Representing the Office of the State Auditor was Chan Kim, CPA, Audit Manager.