

STATE OF NEW MEXICO

SOCORRO

SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2005

(With Independent Auditor's Report Thereon)

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

TABLE OF CONTENTS
JUNE 30, 2005

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents	i	i
Official Roster	ii	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 Balance – Governmental Funds	4	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds to the Statement of Activities		8
Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	5	9
Statement of Fiduciary Assets and Liabilities – Agency Fund	6	10
Notes to the Financial Statements		11
Other Supplemental Information:		
Schedule of Changes in Assets and Liabilities – Agency Fund		25
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>		26
Schedule of Findings and Responses Exit Conference		28 28

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
John J. Carangelo	Chairperson
Larry Whitefield	Vice-Chairperson
Virginia Johnson	Secretary/Treasurer
Rob Bowman	Supervisor
Rafael Carrillo	Supervisor
Corky Herkenhoff	Supervisor
Teresa k. Gonzales	Supervisor
<u>District Personnel</u>	<u>Title</u>
Nyleen H. Troxel Stowe	Director of Special Projects
Brian C. Mertz	Range Technician



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

INDEPENDENT AUDITOR'S REPORT

Mr. John J. Carangelo, Chairperson
and Members of the Board of Supervisors
Socorro Soil and Water Conservation District
103 Neel Ave.
Socorro, New Mexico 87801

We have audited the accompanying financial statements of the governmental activities, the general fund, the respective budgetary comparison and the aggregate remaining fund information of the Socorro 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, the major fund and the aggregate remaining fund information 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 determined is necessary to supplement, although not required to be part of, the basic financial statements.

2113 Warner Circle, Santa Fe, New Mexico 87505-5499

(505) 476-3800 · (800) 432-5517 · Fax (505) 827-3512

www.saohm.org

In accordance with *Government Auditing Standards*, we have also issued a report dated March 10, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Socorro Soil and Water Conservation District's basic financial statements. The schedule of changes in assets and liabilities is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The schedule of changes in assets and liabilities has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



OFFICE OF THE STATE AUDITOR
March 10, 2006

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

Exhibit 1

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 328,699
Accounts receivable	9,886
Notes receivable	84,024
Capital assets, Net	383,726
Total assets	806,335
Liabilities	
Accounts payable	2,827
Notes payable:	
Due within one year	10,614
Due in more than one year	90,557
Total liabilities	103,998
Net Assets	
Invested in capital assets	383,726
Restricted for debt service	13,490
Unrestricted	305,121
Total net assets	\$ 702,337

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

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

	Governmental Activities
Program Expenses:	
Conservation:	
Salaries & benefits	\$ 80,388
Advertisements	232
Automobile costs	5,227
Dues, fees, taxes	3,245
Information, education and workshops	5,043
Bonding	200
Office expenses	7,341
Project costs - Cost Share Program	19,940
Project costs - PVC fittings	2,968
Project costs - control chemicals-grants	-
Project costs - monitoring supplies	4,302
Project costs - monitoring salary	2,705
Telephone	2,159
Travel and per diem	426
Meeting expenses	726
Insurance	2,430
Interest expense	3,967
Depreciation expenses	16,065
Total program expenses	<u>157,364</u>
Program Revenues:	
Charges for services - PVC fittings sales	2,847
Federal operating grants and contracts	19,482
State operating grants and contracts	230,935
Contributions - capital assets	10,500
Total program revenues	<u>263,764</u>
Net program (expense) revenue	<u>106,400</u>
General Revenues:	
State allocation	9,286
Property taxes	109,175
Donations	350
Miscellaneous	7,066
Interest	8,100
Total general revenues	<u>133,977</u>
Change in net assets	240,377
Net assets at beginning of year	461,960
Net assets at end of year	<u><u>\$ 702,337</u></u>

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

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

Exhibit 3

	General Fund
Assets	
Cash and cash equivalents	\$ 328,699
Accounts receivable	9,886
Notes receivable	84,024
Total assets	\$ 422,609
Liabilities and fund balance	
Liabilities:	
Accounts payable	\$ 2,827
Total liabilities	2,827
Fund balance:	
Reserved for debt service	13,490
Unreserved, designated for subsequent year's expenditures	139,400
Unreserved, undesignated	266,892
Total fund balance	419,782
Total liabilities and fund balance	\$ 422,609

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

STATE OF NEW MEXICO
 SOCCORRO 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, 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)	\$ 419,782
<p>When capital assets that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the government as a whole.</p>	
Capital assets, net of accumulated depreciation	383,726
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:</p>	
Notes payable	(96,199)
Compensated absences	<u>(4,972)</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 702,337</u></u>

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

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

Exhibit 4

	<u>General Fund</u>
Revenues	
NMDA allotment	\$ 9,286
NMDA operating grants and contracts	193,700
Property taxes	109,175
Interest	8,100
Sales revenue - PVC fittings	2,846
BLM grants and contracts - noxious weed control	19,483
Donations	350
Miscellaneous revenue	7,067
Reimbursements for monitoring staff and supplies	37,236
Total revenues	387,243
Expenditures	
Conservation:	
Current:	
Salaries & benefits	80,549
Advertisements	233
Automobile costs	5,227
Dues, fees, taxes	3,245
Information, education and workshops	5,043
Bonding	200
Office expenses	7,341
Project costs - Cost Share Program	19,940
Project costs - PVC fittings	2,968
Project costs - monitoring supplies	4,302
Project costs - monitoring salary	2,705
Telephone	2,159
Travel and per diem	426
Meeting expenses	727
Insurance	2,430
Capital outlay	-
Debt payment-Principal	8,862
-Interest	3,967
Total expenditures	150,324
Net change in fund balance	236,919
Fund balance beginning of year	182,863
Fund balance end of year	\$ 419,782

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

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

Net change in fund balance - Governmental Funds (Exhibit 4) \$ 236,919

Amounts reported in the Statement of Activities are different because:

In the Statement of Activities, compensated absences are measured by the amounts earned during the year. However, in the governmental funds, expenditures for these items are measured by the amount of financial resources used (actually paid). The increase for the liability not recorded in the balance sheet is: 161

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:

Depreciation expense (16,065)

Governmental funds do not report donations of capital assets since capital assets are not held in governmental funds. However, capital assets donations are recorded as revenues in the Statement of Activities.

Capital outlay 10,500

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: 8,862

Change in net assets - Statement of Activities (Exhibit 2) \$ 240,377

STATE OF NEW MEXICO
SOCORRO 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

Exhibit 5

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
State Appropriation	\$ 11,000	\$ 11,000	9,286	\$ (1,714)
Property taxes	75,000	150,000	122,325	(27,675)
Interest	600	600	4,743	4,143
Sales revenue - PVC fittings	30,000	30,000	10,241	(19,759)
Salary reimbursements - loan account	2,000	2,000	-	(2,000)
Grant revenues	100,000	2,827	193,700	190,873
Noxious weed control	20,000	20,000	19,483	(517)
Donations	-	10,614	350	(10,264)
Miscellaneous revenue	-	-	7,067	7,067
Farm & range improvement fund (FRIIF)	2,000	2,000	-	(2,000)
Reimbursements for monitoring staff and supplies	-	-	37,236	37,236
Loan repayments principal	12,000	12,000	6,325	(5,675)
Loan repayments interest	-	-	3,521	3,521
Interest on loan accounts	100	100	32	(68)
Total revenues	<u>\$ 252,700</u>	<u>\$ 241,141</u>	<u>\$ 414,309</u>	<u>\$ 173,168</u>
Cash balance budgeted	65,000	176,559		
Total revenues and cash balance budgeted	<u>\$ 317,700</u>	<u>\$ 417,700</u>		
Expenditures				
Current:				
Salaries & benefits - program manager	\$ 50,000	\$ 50,000	46,959	\$ 3,041
Salaries & benefits - range technician	39,500	39,500	33,855	5,645
Advertisements	500	500	233	267
Election costs	500	500	-	500
Automobile costs	15,000	15,000	9,124	5,876
Dues, fees, taxes	2,000	2,000	3,295	(1,295)
Information, education and workshops	8,000	8,000	5,043	2,957
Bonding	200	200	200	-
Office expenses	10,000	10,000	8,348	1,652
Project costs - Cost Share Program	30,000	30,000	21,992	8,008
Project costs - PVC fittings	30,000	30,000	2,968	27,032
Project costs - control chemicals-grants	100,000	200,000	-	200,000
Project costs - monitoring supplies	2,000	2,000	4,252	(2,252)
Project costs - monitoring salary	8,000	8,000	2,705	5,295
Telephone	4,000	4,000	2,471	1,529
Travel and per diem	3,000	3,000	663	2,337
Meeting expenses	3,000	3,000	750	2,250
Wage reimbursements	2,000	2,000	-	2,000
Debt payment-Principal	10,000	10,000	8,862	1,138
-Interest	-	-	3,967	(3,967)
Total expenditures	<u>\$ 317,700</u>	<u>\$ 417,700</u>	<u>\$ 155,687</u>	<u>\$ 262,013</u>

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

STATE OF NEW MEXICO
 SOCORRO SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
 June 30, 2005

	Agency Fund
Assets	
Cash and cash equivalents	\$ 146,733
Total assets	\$ 146,733
Liabilities	
Deferred revenue	\$ 146,733
Total liabilities	\$ 146,733

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

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The District, a phase three government, was required to implement GASB Statement 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* in fiscal year 2004. 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

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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 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 for goods, services, or privileges provided, such as sale of PVC fittings, 2) operating grants from New Mexico Department of Agriculture (NMDA) and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, and 3) capital grants and contributions. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if any, are recorded only when payment is due.

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The agency funds for the Lower Rio Grande Salt Cedar Control Project are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

Governmental funds are used to account for the District's general governmental activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of general long-term debt.

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 and accounts for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The general fund was also 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 landowners in the District funds at low interest rates to finance conservation projects on their property pursuant to the provisions of Section 72-14-20 NMSA 1978.

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.

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

D. Assets, Liabilities, Net Assets and Fund Balance

1. Cash and Cash Equivalents

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

State statutes authorize the District to invest in obligations of the U.S. Treasury, repurchase agreements, and certificates of deposit. Investments for the government, if applicable, are reported at fair value.

2. Accounts Receivable and Accounts Payable

All receivables consist of \$9,886 for property tax receivable.

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

The District's accounts payable represent routine monthly bills for service rendered and products purchased in the current year which are paid for in the next fiscal year. Total accounts payable at year-end were \$2,827.

3. Capital Assets

Capital assets, which include property and equipment (including software), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by state law 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 District values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized.

Property and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

Vehicles	5 years
----------	---------

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Farm equipment	7 years
Computer equipment	3 years

4. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide financial statements. A current liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of resignations and retirements. According to District policy, employees accrue annual leave at 4 to 6 hours per pay period depending on the years of service.

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 three components – invested in capital assets, which is the cost of capital assets, net of accumulated depreciation, restricted net assets which are liquid assets and have third-party (statutory, bond covenant or granting agency) limitations on their use and unrestricted net assets.

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. Certain proceeds (Low Interest Loan from New Mexico Interstate Stream Commission) set aside for their repayment (\$13,490), are classified as reserved for fund balance on the balance sheet because they are maintained in separate bank accounts and their use is limited by the applicable loan agreements. Fund balance designations may be established to indicate tentative plans for financial resource utilization in a future period. The District uses available cash resources to balance the subsequent year budget. The District currently has an unreserved fund balance, designated for subsequent year's expenditures of \$139,400 for this purpose.

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

B. Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis Financial Statements

		General Fund
Non-GAAP revenues (Exhibit 5)	\$	414,308
Prior year accrued interest receivables		(196)
Prior year receivables		(30,430)
Current year receivables		9,886
Prior notes receivable		(90,349)
Current year notes receivable		84,024
GAAP revenues (Exhibit 4)	\$	<u>387,243</u>
Non-GAAP expenditures (Exhibit 5)	\$	155,687
Prior year accounts payable		(8,189)
Current year accounts payable		2,827
GAAP expenditures (Exhibit 4)	\$	<u><u>150,324</u></u>

III. Detailed Notes on all Funds

A. Cash and Cash Equivalents

As of June 30, 2005, the District had a carrying amount of deposits of \$475,432. The bank balances for deposits were \$484,093. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$8,661. The total bank balance of \$484,093 consisted of the following:

<u>First State Bank</u>		
Demand deposits	\$	460,282
Less: FDIC coverage		(100,000)
Amount uninsured	\$	<u>360,282</u>
Pledged securities at fair market value		\$1,316,351
50% collateral requirement		180,141
Over (Under) Collateralized		<u>\$1,136,210</u>

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

The following is a description of the pledged collateral that is held under joint safekeeping receipts in the name of the District at First State Bank of Socorro: FHLB, CUSIP #3133M9SD5, par value \$1,000,000, market value \$1,207,549 and a maturity date of 8/27/2014 and US Treasury Notes, CUSIP #9128275N8, par value \$100,000, market value \$108,802 and a maturity date of 8/15/2009.

<u>Access Bank</u>	
Certificate of Deposits	\$ 23,811
Less: FDIC coverage	<u>(23,811)</u>
Amount uninsured	<u>\$ -0-</u>

B. Notes Receivable

The District borrowed funds from the State of New Mexico Interstate Stream Commission for the purpose of having a program for conservation of water for irrigation purposes, and in turn, lend these funds to individual landowners in the District. The District's note receivable balance as of June 30, 2005 represents monies owed to the District by landowners for such projects promoting water conservation. The loan agreements between the District and its landowners are secured by a duly recorded mortgage or other legal encumbrance on the property, real or personal, of the landowner. The District considers the loans to be fully collectible and does not consider that an allowance for doubtful accounts is necessary at June 30, 2005.

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

C. Capital Assets

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

Description	Balance 06/30/04	Additions	Deletions	Balance 06/30/05
Governmental Activities:				
Non-depreciable capital assets				
Land	\$ 340,423	\$ -	\$ -	\$ 340,423
Total non-depreciable capital assets	<u>\$ 340,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 340,423</u>
Depreciable capital assets				
Vehicles	\$ 51,262	\$ -	\$ -	\$ 51,262
Farm Equipment	32,644	10,500	-	43,144
Computer equipment	16,161	-	-	16,161
Depreciable capital assets				
Sub-totals	<u>100,067</u>	<u>10,500</u>	<u>-</u>	<u>110,567</u>
Less: Accumulated Depreciation				
Vehicles	38,268	4,295	-	42,563
Farm equipment	5,964	5,788	-	11,752
Computer equipment	6,967	5,982	-	12,949
Sub-totals	<u>51,199</u>	<u>16,065</u>	<u>-</u>	<u>67,264</u>
Net Depreciable capital assets	48,868	(5,565)	-	43,303
Net capital assets	<u>\$ 389,291</u>	<u>\$ (5,565)</u>	<u>\$ -</u>	<u>\$ 383,726</u>

D. Interfund Receivables, Payables and Transfers

The District does not have interfund balances and interfund transfers reported in the fund financial statements.

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

E. Long-Term Debt

Note Payable

The District entered into a loan agreement with the New Mexico Interstate Stream Commission on January 4, 2000 for the purpose of lending funds to landowners in the District for water conservation projects. The terms of the agreement are as follows:

Amount of loan	\$ 50,000
Interest	2 ½ percent per annum
Years	20 (Twenty years)
Yearly payment	\$ 3,207

The debt service requirements to maturity are as follows:

Due Date	Principal	Interest
07-01-06	\$ 2,506	\$ 702
07-01-07	2,568	639
07-01-08	2,632	575
07-01-09	2,698	509
07-01-10	2,766	442
Thereafter:		
1 st 5 years	14,901	1,136
2 nd 5 years	<u>1,156</u>	<u>-0-</u>
Total	<u>\$ 29,227</u>	<u>\$ 4,003</u>

The District entered into a loan agreement with the New Mexico Interstate Stream Commission on July 1, 2001 for the purpose of lending funds to landowners in the District for water conservation projects. The terms of the agreement are as follows:

Amount of loan	\$ 25,000
Interest	2 ½ percent per annum
Years	20 (Twenty years)
Yearly payment	\$ 1,605

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

The debt service requirements to maturity are as follows:

Due Date	Principal	Interest
07-01-06	\$ 1,080	\$ 523
07-01-07	1,107	496
07-01-08	1,135	469
07-01-09	1,163	440
07-01-10	1,192	411
Thereafter:		
1 st 5 years	6,425	1,594
2 nd 5 years	7,269	750
3 rd 5 years	<u>1,565</u>	<u>39</u>
Total	<u>\$ 20,936</u>	<u>\$ 4,722</u>

The District entered into a loan agreement with the New Mexico Interstate Stream Commission on October 10, 2002 for the purpose of lending funds to landowners in the District for water conservation projects. The terms of the agreement are as follows:

Amount of loan	\$ 50,000
Interest	2 ½ percent per annum
Years	20 (Twenty years)
Yearly payment	\$ 3,207

The debt service requirements to maturity are as follows:

Due Date	Principal	Interest
07-01-06	\$ 2,056	\$ 1,151
07-01-07	2,108	1,100
07-01-08	2,160	1,047
07-01-09	2,215	993
07-01-10	2,270	937
Thereafter:		
1 st 5 years	12,230	3,807
2 nd 5 years	13,837	2,200
3 rd 5 years	<u>9,160</u>	<u>462</u>
Total	<u>\$ 46,036</u>	<u>\$ 11,697</u>

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Changes in Long-term Liabilities

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

	Balance 6/30/04	Increases	Decreases	Balance 6/30/05	Amount due within 1 year
Notes payable	\$ 105,061	\$ -	\$ (8,862)	\$ 96,199	\$ 5,642
Compensated absences	<u>5,133</u>	<u>4,404</u>	<u>(4,565)</u>	<u>4,972</u>	<u>4,972</u>
Totals	<u>\$ 110,194</u>	<u>\$ 4,404</u>	<u>\$ (13,427)</u>	<u>\$ 101,171</u>	<u>\$ 10,614</u>

Compensated absences are generally liquidated by the general fund.

IV. Other Information

A. Employee Retirement Benefits

The District employee does not participate in a pension plan, deferred compensation, or post-employment benefits

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 has not sustained any losses during the last several years and is not a defendant in any lawsuit. The District currently maintains the following surety bond with Western Surety Company:

Bond:	Employee Dishonesty Bond
Term:	April 29, 2005 to April 29, 2006
Coverage:	\$5,000 per employee, \$5,000 for four employees

The District currently maintains the following commercial property insurance coverage with Clarendon National Insurance Company:

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Business Personal Property: Personal Property (Theft)–Replacement Cost
Term: April 20, 2005 to April 20, 2006
Coverage: Limit of insurance \$54,000

The District currently maintains the following commercial auto insurance coverage with Progressive Northwestern Insurance Company:

Commercial Auto Insurance: Auto insurance
Term: April 20, 2005 to April 20, 2006
Coverage: Limit of insurance \$500,000

C. 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 government expects such amounts, if any, to be immaterial.

D. Related Party Transactions

Keith Stowe, Operating Manager of Raks Building Materials and Supplies, a vendor of the District, is the husband of Nyleen H. Troxel Stowe, Director of Special Projects responsible for the records and bill paying of the District. As of June 30, 2005, the annual expenditures with Raks were \$1,149.

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

E. Joint Powers Agreement – Pecos River Salt Cedar Control Project

During the 2002 session, the New Mexico State Legislature appropriated \$2.5 million to the New Mexico Department of Agriculture to remove salt cedar from the Lower Rio Grande River Basin. As a result of this appropriation, a joint powers agreement was established for this project. The terms of the agreement are summarized as follows:

Date of agreement:	June 24, 2002
Participants:	New Mexico Association of Conservation Districts and the Socorro, Sierra, Caballo, and La Union Soil and Water Conservation Districts
Responsible party for operations:	Socorro Soil and Water Conservation District
Description:	Lower Rio Grande River Salt Cedar Control Project
Beginning and ending date of agreement:	July 1, 2002 to June 30, 2004 and additional projects in FY05.
Total estimated amount:	\$2,183,333 for FY05.
Amount expended to date:	\$2,036,600
Audit responsibility:	New Mexico State University, New Mexico Department of Agriculture
Fiscal agent:	Socorro Soil and Water Conservation District
The government agency where revenues and expenditures are reported:	New Mexico State University

STATE OF NEW MEXICO
 SOCORRO SOIL AND WATER CONSERVATION DISTRICT
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Assets				
Cash and cash equivalents	\$ 1,914	666,467	(521,647)	\$ 146,733
Total assets	\$ 1,914	666,467	(521,647)	\$ 146,733
Liabilities				
Deferred revenue	\$ 1,914	144,819	-	\$ 146,733
Total liabilities	\$ 1,914	144,819	-	\$ 146,733

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



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. John J. Carangelo, Chairperson
and Members of the Board of Supervisors
Socorro Soil and Water Conservation District
1101 South Atkinson
Roswell, New Mexico 88201

We have audited the accompanying financial statements of the governmental activities, each major fund, the respective budgetary comparison and the aggregate remaining fund information of the Socorro Soil and Water Conservation District (District) as of and for the year ended June 30, 2005 and have issued our report dated March 10, 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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



OFFICE OF THE STATE AUDITOR
March 10, 2006

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2005

STATUS OF PRIOR YEAR AUDIT FINDINGS

None.

CURRENT YEAR AUDIT FINDINGS

None.

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 March 10, 2006 an exit conference was held at the District Office with Mr. Larry Whitefield, Vice-Chairman and Ms. Nyleen H. Troxel Stowe, Director of Special Projects of the Socorro Soil and Water Conservation District. Representing the Office of the State Auditor was Chan Kim, CPA, Audit Manager. The results of the audit and the contents of this report were discussed.