

**STATE OF NEW MEXICO**

**SOCORRO**

**SOIL AND WATER CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS**

**Fiscal Year Ended June 30, 2006**

**(With Independent Auditor's Report Thereon)**

STATE OF NEW MEXICO  
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

TABLE OF CONTENTS  
JUNE 30, 2006

	Exhibit	Page
<b>INTRODUCTORY SECTION</b>		
Table of Contents	i	
Official Roster	ii	
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report	1	
<b>Basic Financial Statements:</b>		
<b>Government-wide Financial Statements:</b>		
Statement of Net Assets	1	3
Statement of Activities	2	4
<b>Fund Financial Statements:</b>		
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 i in Fund Balance – Governmental Funds	4	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance– Governmental Funds to 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
<b>Other Supplemental Information</b>		
Schedule of Changes in Assets and Liabilities – Agency Fund		25
<b>OTHER REPORTS</b>		
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 29

STATE OF NEW MEXICO  
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER  
JUNE 30, 2006

<u>Board of Supervisors</u>	<u>Position</u>
John J. Carangelo	Chairperson
Larry Whitefield	Vice-Chairperson
Virginia Johnson	Secretary/Treasurer
Rob Bowman	Supervisor
Corky Herkenhoff	Supervisor
Robert Shannon	Supervisor
Vacant	Supervisor
<u>District Personnel</u>	<u>Title</u>
Nyleen H. Troxel Stowe	Director of Special Projects
William Kolbenschlag	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 and 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, 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, the major fund and the aggregate remaining fund information of the District as of June 30, 2006, and the respective changes in financial position, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated June 8, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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  
June 8, 2007

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

Exhibit 1

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 307,745
Investments	1
Accounts receivable	6,334
Notes receivable	79,025
Capital assets, Net	377,201
Total assets	770,306
<b>Liabilities</b>	
Accounts payable	3,015
Other Liabilities:	
Due within one year	13,371
Due in more than one year	80,355
Total liabilities	96,741
<b>Net Assets</b>	
Invested in capital assets	377,201
Unrestricted	296,364
Total net assets	\$ 673,565

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, 2006

	Governmental Activities
<b>Program Expenses:</b>	
Conservation:	
Salaries & benefits	\$ 78,853
Advertisements	607
Automobile costs	9,617
Dues, fees, taxes	2,350
Information, education and workshops	4,434
Bonding	200
Office supplies and expenses	15,558
Project costs - Cost Share Program	21,524
Project costs - noxious weed control program	10,234
Project costs - salt cedar control program	95,000
Project costs - monitoring salary	22,530
Telephone	3,929
Travel and per diem	518
Meeting expenses	1,381
Insurance	1,361
Interest expense	1,245
Depreciation expenses	12,519
Total program expenses	<u>281,860</u>
<b>Program Revenues:</b>	
Charges for services - PVC fittings sales	1,133
Federal operating grants and contracts	140,000
Total program revenues	<u>141,133</u>
Net program (expense) revenue	<u>(140,727)</u>
<b>General Revenues:</b>	
State allocation	9,944
Property taxes	87,551
Rebates for noxious weed control	5,385
Interest	9,075
Total general revenues	<u>111,955</u>
Change in net assets	<u>(28,772)</u>
Net assets at beginning of year	<u>702,337</u>
Net assets at end of year	<u><u>\$ 673,565</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, 2006

Exhibit 3

	General Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 307,745
Investments	1
Accounts receivable	6,334
Notes receivable	79,025
Total assets	\$ 393,105
<b>Liabilities and fund balance</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 3,015
Total liabilities	3,015
<b>Fund balance:</b>	
Reserved for debt service	10,298
Unreserved, designated for subsequent year's expenditures	131,650
Unreserved, undesignated	248,142
Total fund balance	390,090
Total liabilities and fund balance	\$ 393,105

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 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) \$ 390,090

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.

Capital assets, net of accumulated depreciation 377,201

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

Notes payable (86,218)  
 Compensated absences (7,508)

Net Assets - Statement of Net Assets (Exhibit 1) \$ 673,565

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, 2006

Exhibit 4

	<u>General Fund</u>
<b>Revenues</b>	
State allocation	\$ 9,944
Federal operating grants and contracts	140,000
Property taxes	87,551
Interest	9,075
Sales revenue - PVC fittings	1,133
Noxious weed control	5,385
Total revenues	253,088
<b>Expenditures</b>	
Conservation:	
Current:	
Salaries & benefits	76,317
Advertisements	607
Automobile costs	9,617
Dues, fees, taxes	2,350
Information, education and workshops	4,434
Bonding	200
Office expenses	15,558
Project costs - Cost Share Program	21,524
Project costs - noxious weed control program	10,234
Project costs - salt cedar control program	95,000
Project costs - monitoring salary	22,530
Telephone	3,928
Travel and per diem	518
Meeting expenses	1,381
Insurance	1,361
Capital outlay	5,995
Debt payment-Principal	9,981
-Interest	1,245
Total expenditures	282,780
Net change in fund balance	(29,692)
Fund balance beginning of year	419,782
Fund balance end of year	\$ 390,090

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 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net change in fund balance - Governmental Funds (Exhibit 4)	\$ (29,692)
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:	(2,536)
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	(12,519)
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	5,995
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:	9,981
Rounding	<u>(1)</u>
Change in net assets - Statement of Activities (Exhibit 2)	<u>\$ (28,772)</u>

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

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, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
State Appropriation	\$ 11,000	\$ 11,000	\$ 9,944	\$ (1,056)
Mill levy	85,000	85,000	93,917	8,917
Interest	600	600	3,227	2,627
Sales revenue - PVC fittings	10,000	10,000	1,133	(8,867)
Miscellaneous grant revenues	100,000	100,000	55,000	(45,000)
Noxious weed control funding	20,000	20,000	85,000	65,000
Farm & range improvement fund (FRIF)	2,000	2,000	-	(2,000)
Reimbursements for Noxious Weed Control - BASF	-	-	5,385	5,385
Loan repayments	12,000	10,000	7,992	(2,008)
Interest on loan accounts	100	100	42	(58)
Total revenues	<u>240,700</u>	<u>238,700</u>	<u>261,640</u>	<u>\$ 22,940</u>
Cash balance budgeted	139,400	96,800		
Total revenues and cash balance budgeted	<u>\$ 380,100</u>	<u>\$ 335,500</u>		
<b>Expenditures</b>				
Current:				
Salaries & benefits - program manager	\$ 53,400	\$ 53,600	\$ 47,446	\$ 6,154
Salaries & benefits - range technician	39,300	36,000	28,247	7,753
Advertisements	500	500	607	(107)
Election costs	500	500	-	500
Automobile costs	13,000	12,000	10,978	1,022
Dues, fees, taxes	4,000	4,000	2,350	1,650
Information, education and workshops	5,750	4,250	4,434	(184)
Bonding	200	200	200	-
Office supplies/postage	10,000	10,000	13,730	(3,730)
Project costs - Conservation	3,000	3,000	-	3,000
Project costs - Cost Share Program	50,000	45,000	22,140	22,860
Project costs - Conservation Incentive Program	10,000	-	-	-
Project costs - Soil Testing Program	5,000	5,000	-	5,000
Project costs - Equipment Purchase	30,000	5,000	1,649	3,351
Project costs - PVC fittings	10,000	10,000	-	10,000
Project costs - Miscellaneous grants	100,000	100,000	111,229	(11,229)
Project costs - Monitoring Specialist salary and supplies	27,950	27,950	22,529	5,421
Telephone	3,000	3,000	3,929	(929)
Travel and per diem	3,000	2,000	518	1,482
Meeting expenses	1,500	1,500	1,381	119
Debt payment-Principal	10,000	12,000	11,226	774
Total expenditures	<u>\$ 380,100</u>	<u>\$ 335,500</u>	<u>\$ 282,593</u>	<u>\$ 52,907</u>

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

STATE OF NEW MEXICO  
 SOCORRO SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND  
 June 30, 2006

	Agency Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 311,374
Total assets	\$ 311,374
<b>Liabilities</b>	
Deferred revenue	\$ 311,374
Total liabilities	\$ 311,374

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

STATE OF NEW MEXICO  
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**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, 2006

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 U.S. Bureau of Land Management and U.S. Fish and Wild Life Service 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, 2006

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, 2006

**D. Assets and Liabilities**

1. Cash, Cash Equivalents and Investments

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

State statutes authorize the District to invest in obligations of the U.S. Treasury, repurchase agreements, certificates of deposit and the State Treasurer's Investment Pool. Investments for the government, if applicable, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Accounts Receivable and Accounts Payable

Accounts receivable consist of \$3,520 for property tax receivable and \$2,814 for interest receivable on certificates of deposits, for a total of \$6,334.

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 \$3,015.

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 \$5,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the 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.

STATE OF NEW MEXICO  
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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

Vehicles	5 years
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. The District had no restricted net assets as of June 30, 2006.

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 (\$10,298), 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 \$131,650 for this purpose.

STATE OF NEW MEXICO  
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**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, 2006

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

	General Fund
Non-GAAP revenues (Exhibit 5)	\$ 261,640
Prior year receivables	(9,886)
Current year receivables	6,334
Prior year notes receivables	(84,024)
Current year notes receivables	79,024
GAAP revenues (Exhibit 4)	<u>\$ 253,088</u>
Non-GAAP expenditures (Exhibit 5)	\$ 282,593
Prior year accounts payable	(2,827)
Current year accounts payable	3,015
GAAP expenditures (Exhibit 4)	<u>\$ 282,781</u>

**III. Detailed Notes on all Funds**

**A. Cash, Cash Equivalents and Investments**

As of June 30, 2006, the District had a carrying amount of deposits of \$619,119. The bank balances for deposits were \$445,035 at First State Bank and \$180,000 at Wells Fargo Bank, for a total of \$625,035. The difference between the carrying amount and the bank balance of deposits is due to deposits in transit of \$580 and outstanding checks of \$6,497. The total bank balance of \$625,035 consisted of the following:

<u>First State Bank</u>	
Demand deposits	\$ 445,035
Less: FDIC coverage	(100,000)
Amount uninsured	<u>\$ 345,035</u>
Pledged securities at fair market value	\$1,199,526
50% collateral requirement	172,518
Over (Under) Collateralized	<u>\$1,027,008</u>

STATE OF NEW MEXICO  
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

The following is a description of the pledged collateral that are 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 \$1,097,157 and a maturity date of 8/27/2014 and US Treasury Notes, CUSIP #9128275N8, par value \$100,000, market value \$102,369 and a maturity date of 8/15/2009.

Wells Fargo Bank

Certificate of Deposits	\$ 180,000
Less: FDIC coverage	<u>(100,000)</u>
Amount uninsured	<u>\$ 80,000</u>
Pledged securities at fair market value	\$ 100,628
50% collateral requirement	<u>40,000</u>
Over (Under) Collateralized	<u>\$ 60,628</u>

The following is a description of the pledged collaterals that are held under joint safekeeping receipts in the name of the District at Wells Fargo Bank of Northwest: FNCL, CUSIP #31405ATE3, face value \$135,000, market value \$100,628 and a maturity date of 6/1/2034.

Custodial Credit Risk – Deposits. Custodial Credit Risk is the risk that in the event of bank failure certain cash balances which are uninsured could be lost. The District does not have a deposit policy for custodial credit risk. None of the District's deposits are subject to custodial credit risk.

As of June 30, 2006, the District had an investment of \$1 with the State Treasurer's Local Government Investment Pool. The District initially invested \$180,000 on July 9, 2005. The District intended to close the investment accounts with the State Treasurer's Government Investment Pool in May 2006, but there was still a balance of \$1 as of June 30, 2006. The investment is reported at fair value. The State Treasurer's Government Investment Pool is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA, 1978. Participation in the local government investment pool is voluntary. For additional disclosure information regarding investments held by the State Treasurer, the reader should refer to the separate audit report for the Treasurer's Office for the fiscal year ended June 30, 2006.

STATE OF NEW MEXICO  
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**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, 2006 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, 2006.

**C. Capital Assets**

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

Description	Balance	Reclass- ifications	Additions	Deletions	Balance
	06/30/05				06/30/06
<u>Governmental Activities:</u>					
Non-Depreciable Capital Assets					
Land	\$ 340,423	\$ -	\$ -	\$ -	\$ 340,423
Depreciable Capital Assets					
Vehicles	51,262	(7,326)	-	-	43,936
Farm Equipment	43,144	4,163	5,995	-	53,302
Computer equipment	16,161	3,163	-	-	19,324
Totals-depreciable capital assets	110,567	-	5,995	-	116,562
Less: Accumulated depreciation					
Vehicles	42,563	(8,622)	4,295	-	38,236
Farm Equipment	11,752	4,322	7,187	-	23,261
Computer equipment	12,949	4,300	1,038	-	18,287
Total accumulated depreciation	67,264	-	12,520	-	79,784
Net depreciable capital assets	43,303	-	(6,525)	-	36,778
Net capital assets	<u>\$ 383,725</u>	<u>\$ -</u>	<u>\$ (6,525)</u>	<u>\$ -</u>	<u>\$ 377,201</u>

STATE OF NEW MEXICO  
 SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

**D. Interfund Receivables, Payables and Transfers**

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

**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
07-01-07	\$ 2,630	\$ 577
07-01-08	2,696	512
07-01-09	2,763	444
07-01-10	2,832	375
07-01-11	2,903	305
Thereafter: 1 <sup>st</sup> 5 years	<u>9,270</u>	<u>470</u>
Total	<u>\$ 23,094</u>	<u>\$ 2,683</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	\$ 1,604

STATE OF NEW MEXICO  
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

The debt service requirements to maturity are as follows:

Due Date	Principal	Interest
07-01-07	\$ 1,112	\$ 491
07-01-08	1,140	464
07-01-09	1,168	435
07-01-10	1,198	406
07-01-11	1,228	376
Thereafter:		
1 <sup>st</sup> 5 years	6,615	1,404
2 <sup>nd</sup> 5 years	<u>7,194</u>	<u>502</u>
Total	<u>\$ 19,655</u>	<u>\$ 4,078</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
07-01-07	\$ 2,121	\$ 1,087
07-01-08	2,174	1,034
07-01-09	2,228	979
07-01-10	2,284	924
07-01-11	2,341	866
Thereafter:		
1 <sup>st</sup> 5 years	12,611	3,425
2 <sup>nd</sup> 5 years	14,269	1,768
3 <sup>rd</sup> 5 years	<u>5,441</u>	<u>136</u>
Total	<u>\$ 43,469</u>	<u>\$ 10,219</u>



STATE OF NEW MEXICO  
SOCORRO 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
Notes payable	\$ 96,199	\$ -	\$ (9,981)	\$ 86,218	\$ 5,863
Compensated absences	4,973	6,094	(3,559)	7,508	7,508
<b>Totals</b>	<u>\$ 101,172</u>	<u>\$ 6,094</u>	<u>\$ (13,540)</u>	<u>\$ 93,726</u>	<u>\$ 13,371</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, 2006 to April 29, 2007
Coverage:	\$5,000 per employee, \$5,000 for four employees

STATE OF NEW MEXICO  
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

The District currently maintains the following commercial property insurance coverage with American Hallmark Insurance Company of Texas:

Business Personal Property: Personal Property (Theft)–Replacement Cost  
Term: April 1, 2006 to April 1, 2007  
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, 2006 to April 20, 2007  
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, 2006, the annual expenditures with Raks were \$1,276.

Patricia Kolbenschlag, a landowner, is the mother of William Kolbenschlag, Range Technician responsible for the conservation projects of the District. As of June 30, 2006, the annual cost share expenditures with Patricia Kolbenschlag were \$281.

STATE OF NEW MEXICO  
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**E. Joint Powers Agreement – Lower Rio Grande 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 and \$407,809 for FY06.
Amount expended to date:	\$2,279,769
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  
AGENCY FUNDS  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2006

	Balance		Additions		Deletions		Balance
	June 30, 2005						June 30, 2006
<b>Assets</b>							
Cash and cash equivalents	\$ 146,734	\$	407,809	\$	243,169	\$	311,374
Total assets	\$ 146,734	\$	407,809	\$	243,169	\$	311,374
<b>Liabilities</b>							
Deferred revenue	\$ 146,734	\$	311,374	\$	146,733	\$	311,374
Total liabilities	\$ 146,734	\$	311,374	\$	146,733	\$	311,374

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



# **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, 2006 and have issued our report dated June 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

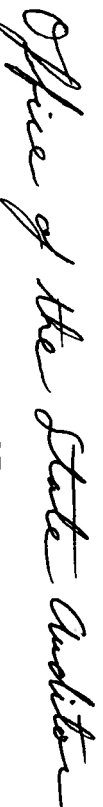
(505) 476-3800 • (800) 432-5517 • Fax (505) 827-3512

www.sao.nm.org

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 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

June 8, 2007

STATE OF NEW MEXICO  
SOCORRO SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2006

STATUS OF PRIOR YEAR AUDIT FINDINGS

None.

CURRENT YEAR AUDIT FINDINGS

None.

STATE OF NEW MEXICO  
SOCORRO 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 June 8, 2007 an exit conference was held at the District Office with Virginia Johnson, Secretary/Treasurer 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.