

**STATE OF NEW MEXICO**

**SOUTHWEST QUAY  
SOIL AND WATER CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2006**

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

STATE OF NEW MEXICO  
 SOUTHWEST QUAY SOIL AND WATER CONSERVATION DISTRICT  
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 JUNE 30, 2006

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STATE OF NEW MEXICO  
SOUTHWEST QUAY SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER  
JUNE 30, 2006

<u>Board of Supervisors</u>	<u>Position</u>
Don Gunn	Chairperson
Jimmy Joe Jester	Vice-Chairperson
Clyde Moon	Secretary/Treasurer
Tedd Tatum	Supervisor
Carrie Lindsey	Supervisor

<u>District Personnel</u>	<u>Title</u>
Nina Stockton	District Clerk



# **OFFICE OF THE STATE AUDITOR**

**Hector H. Balderas**

## **INDEPENDENT AUDITOR'S REPORT**

Mr. Jimmie Joe Jester, Chairperson  
and Members of the Board of Supervisors  
Southwest Quay Soil and Water Conservation District  
3395 Curry Road AB  
Melrose, New Mexico 88124

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Southwest Quay Soil and Water Conservation District (District) as of and for the year ended June 30, 2006, which collectively comprise the District's basis 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, 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 May 2, 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.

*Office of the State Auditor*

OFFICE OF THE STATE AUDITOR  
May 2, 2007

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

	Governmental Activities
<b>Assets</b>	
Cash	\$ 44,444
Interest receivable	22
Capital assets, net	<u>-</u>
Total assets	<u>44,466</u>
<b>Liabilities</b>	
Accounts payable	<u>614</u>
Total liabilities	<u>614</u>
<b>Net Assets</b>	
Invested in capital assets	-
Unrestricted	<u>43,852</u>
Total net assets	<u><u>\$ 43,852</u></u>

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

STATE OF NEW MEXICO Exhibit 2  
 SOUTHWEST QUAY SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF ACTIVITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Governmental Activities
<b>Program Expenses:</b>	
Conservation:	
Contract Services	\$ 571
Mileage and Per Diem	829
Dues	655
Office Supplies	115
Awards	753
Bond	100
Projects	830
Depreciation	234
Total program expenses	4,087
<b>Program Revenues:</b>	
Reimbursements	-
Total program revenues	-
Net program (expense) revenue	<u>(4,087)</u>
<b>General Revenues:</b>	
State Allotment	6,563
Interest Income	172
Total general revenues	6,735
Change in net assets	2,648
Net assets at beginning of year	41,204
Net assets at end of year	\$ 43,852

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

STATE OF NEW MEXICO  
 SOUTHWEST QUAY SOIL AND WATER CONSERVATION DISTRICT  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2006

Exhibit 3

	General Fund
<b>Assets</b>	
Cash	\$ 44,444
Interest Receivable	22
Total assets	\$ 44,466
<b>Liabilities and fund balance</b>	
<b>Liabilities:</b>	
Accounts Payable	\$ 614
Total liabilities	614
<b>Fund balance:</b>	
Unreserved, undesignated	43,852
Total fund balance	43,852
Total liabilities and fund balance	\$ 44,466

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



STATE OF NEW MEXICO  
 SOUTHWEST QUAY SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General Fund</u>
<b>Revenues</b>	
State allocation	\$ 6,563
Interest Income	172
Total revenues	6,735
<b>Expenditures</b>	
Conservation:	
Current:	
Contract Services	571
Mileage and Per Diem	829
Dues	655
Office Supplies	115
Awards	753
Bond	100
Projects	830
Total expenditures	3,853
Net change in fund balance	2,882
Fund balance beginning of year	40,970
Fund balance end of year	\$ 43,852

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

STATE OF NEW MEXICO  
SOUTHWEST QUAY SOIL AND WATER CONSERVATION DISTRICT  
RECONCILIATION OF THE STATEMENT OF ACTIVITIES TO THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net change in fund balance - Governmental Funds (Exhibit 4) \$ 2,882

Amounts reported in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful life of the asset and reported as depreciation expense as follows:

Depreciation expense (234)

Change in net assets - Statement of Activities (Exhibit 2) \$ 2,648

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

STATE OF NEW MEXICO  
SOUTHWEST QUAY SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Exhibit 5

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
State Allotment	\$ 8,300	\$ 8,300	\$ 6,563	\$ (1,737)
Interest Income	100	100	160	60
Total revenues	<u>\$ 8,400</u>	<u>\$ 8,400</u>	<u>\$ 6,723</u>	<u>\$ (1,677)</u>
<b>Expenditures</b>				
Current:				
Contract Services	\$ 600	\$ 600	\$ 571	\$ 29
Mileage and Per Diem	3,200	3,200	829	2,371
Dues	1,000	1,000	655	345
Office Supplies	1,000	1,000	115	885
Demonstrations - Conservation Practice	400	400	-	400
Awards and special events	1,500	1,500	729	771
Program projects - tree planting	500	500	240	260
Bond	200	200	100	100
Total expenditures	<u>\$ 8,400</u>	<u>\$ 8,400</u>	<u>\$ 3,239</u>	<u>\$ 5,161</u>

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

STATE OF NEW MEXICO  
SOUTHWEST QUAY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Southwest Quay 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 non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and

STATE OF NEW MEXICO  
SOUTHWEST QUAY 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 fiduciary or business-type activities.

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

Separate financial statements are provided for governmental funds.

**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.

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

STATE OF NEW MEXICO  
SOUTHWEST QUAY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

The District reports the following major governmental funds:

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

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.

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

1. Cash

The District's cash and cash equivalents consists of a demand deposit account and a certificate of deposit.

State statutes authorize the District to invest in obligations of the U.S. Treasury, repurchase agreements, and certificates of deposit.

2. Accounts Payable

The District's accounts payable represent routine monthly bills for services rendered and products purchased and received in the fiscal year but not paid for until after fiscal year-end.

3. Capital Assets

Capital assets, which include computer equipment, 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 amount 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  
SOUTHWEST QUAY 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:

Computer equipment	5 years
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4. Compensated Absences

As of June 30, 2006, the District does not have any employees. The District hired an independent contractor who functions as the District Clerk and does not earn any 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 three components – invested in capital assets, which is the cost of capital assets, net of accumulated depreciation, unrestricted net assets in the amount of \$43,852, and restricted net assets wherein the constraints are placed on net asset use either by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation and/or are legally restricted by outside parties for use for a specific purpose. The District currently had no restricted net assets or fund balance reservation 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.

STATE OF NEW MEXICO  
SOUTHWEST QUAY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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. Per Exhibit 5, no significant budget adjustments were made during the fiscal year. Encumbrance accounting is not utilized by the District.

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

	General Fund
Non-GAAP revenues (Exhibit 5)	\$ 6,723
Prior year receivables	(10)
Current year receivables	22
GAAP revenues (Exhibit 4)	<u>\$ 6,735</u>
Non-GAAP expenditures (Exhibit 5)	\$ 3,239
Current year accounts payable	614
GAAP expenditures (Exhibit 4)	<u>\$ 3,853</u>

**III. Detailed Notes on all Funds**

**A. Cash**

As of June 30, 2006, the District had a carrying amount of deposits of \$44,444. The bank balances for deposits were \$44,726. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$282. The total bank balance of \$44,726 consisted of the following:

<u>Citizens Bank, Tucumcari, NM</u>	
Demand deposits	\$ 39,726
Less: FDIC coverage	(39,726)
Amount uninsured	<u>\$ -0-</u>



STATE OF NEW MEXICO  
SOUTHWEST QUAY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

<u>Citizens Bank, Tucumcari, NM</u>	
Certificate of Deposit	\$ 5,000
Less: FDIC coverage	(5,000)
Amount uninsured	<u>\$ - 0 -</u>

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a 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, \$-0- of the government's bank balance of \$44,726 was not exposed to custodial credit risk. All of the District's deposits were covered by FDIC.

**B. Capital Assets**

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

	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
<u>Governmental Activities</u>				
Computer Equipment	\$ 1,564	\$ -	\$ -	\$ 1,564
Totals at historical cost	1,564	-	-	1,564
Less accumulated depreciation for:				
Computer Equipment	(1,330)	(234)	-	(1,564)
Total accumulated depreciation	(1,330)	(234)	-	(1,564)
Total Capital Assets	<u>\$ 234</u>	<u>\$ (234)</u>	<u>\$ -</u>	<u>\$ -</u>

**IV. Other Information**

**A. Employee Retirement Benefits**

The District does not offer a pension plan, deferred compensation plan, or post-employment benefits to its contractor.

**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

STATE OF NEW MEXICO  
SOUTHWEST QUAY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,000,000 for each wrongful act and \$1,000,000 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 as well as commercial property coverage. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.



# **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. Jimmie Joe Jester, Chairperson  
and Members of the Board of Supervisors  
Southwest Quay Soil and Water Conservation District  
3395 Curry Road AB  
Melrose, New Mexico 88124

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Southwest Quay Soil and Water Conservation District (District) as of and for the year ended June 30, 2006 and have issued our report dated May 2, 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.

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, New Mexico Department of Finance and Administration, the state legislature and grantors and is not intended to be and should not be used by anyone other than these specified parties.

*Office of the State Auditor*

OFFICE OF THE STATE AUDITOR

May 2, 2007

STATE OF NEW MEXICO  
SOUTHWEST QUAY 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  
SOUTHWEST QUAY SOIL AND WATER CONSERVATION DISTRICT

EXIT CONFERENCE  
JUNE 30, 2006

Financial Statement Preparation

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

Exit Conference

On May 2, 2007, an exit conference was held at the District Office with Nina Stockton, District Clerk and Jimmie Joe Jester, Chairperson of the Southwest Quay Soil and Water Conservation District. Representing the Office of the State Auditor was Rosemary Whitegeese, Audit Supervisor. The results of the audit were discussed.