

State of New Mexico
OFFICE OF THE STATE AUDITOR

STATE OF NEW MEXICO

Canadian River
SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2005

(With Independent Auditor's Report Thereon)



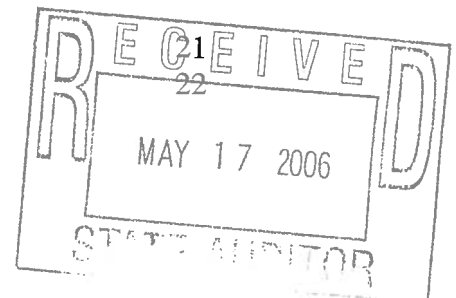
Domingo P. Martinez, CGFM
State Auditor

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STATE OF NEW MEXICO
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

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JUNE 30, 2005

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STATE OF NEW MEXICO
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
JUNE 30, 2005

Board of Supervisors

Position

Tommy Wallace

Chairperson

Larry F. Perkins

Vice-Chairperson

Glenn Briscoe

Secretary

Robert D. Bruce

Supervisor

Katie Whitson

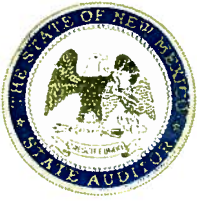
Supervisor

District Personnel

Title

Evelyn Massey

District Clerk



State of New Mexico

OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

Carl M. Baldwin, CPA, CFE
Deputy State Auditor

INDEPENDENT AUDITOR'S REPORT

Mr. Tommy Wallace, Chairperson
and Members of the Board of Supervisors
Canadian River Soil and Water Conservation District
706 South 1st Box 8
Tucumcari, New Mexico 88401

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 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.

Office of the State Auditor

OFFICE OF THE STATE AUDITOR

February 10, 2006

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

Exhibit 1

	<u>Governmental Activities</u>
Assets	
Cash	\$ 59,057
Interest receivable	116
Capital assets, net	<u>2,375</u>
Total assets	<u>61,548</u>
Liabilities	
Accounts payable	<u>1,221</u>
Total liabilities	<u>1,221</u>
Net Assets	
Invested in capital assets	2,375
Unrestricted	<u>57,952</u>
Total net assets	<u><u>\$ 60,327</u></u>

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

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

Exhibit 2

	Governmental Activites
Program Expenses:	
Conservation:	
Mileage/Per Diem	\$ 1,410
Office expenses and supplies	1,794
Personnel	9,443
Information/Education/Promotions	2,188
Awards/Special events	323
Governmental gross receipts tax	941
Tree, drip & weed barrier expenses	33,190
Grass drill expenses	61
Fidelity bond	131
Project expenses	89,008
Depreciation	1,188
	139,676
Program Revenues:	
Charges for Services	38,296
Federal Grants	89,008
	127,304
Net program (expense) revenue	(12,372)
General Revenues:	
NMDA allotment	9,775
Interest	996
Donations	140
	10,911
Change in net assets	(1,461)
Net assets at beginning of year	61,788
Net assets at end of year	\$ 60,327

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

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

Exhibit 3

	General Fund
Assets	
Cash	\$ 59,057
Interest receivable	116
	\$ 59,173
Liabilities and fund balance	
Liabilities:	
Accounts payable	\$ 1,221
	1,221
Fund balance:	
Unreserved, designated for subsequent year's expenditures	1,634
Unreserved, undesignated	56,318
	57,952
Total fund balance	57,952
Total liabilities and fund balance	\$ 59,173

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

STATE OF NEW MEXICO
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET 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)	\$ 57,952
Capital assets, net of accumulated depreciation	<u>2,375</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 60,327</u></u>

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

STATE OF NEW MEXICO
 CANADIAN RIVER 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	
Tree, Drip & Weed Barrier Sales	\$ 37,519
Tree Planting	50
Rental-Grass Drill	727
Interest Income	997
State allocation	9,775
Donations	140
Arch-Hurley Grant Funds	<u>89,008</u>
 Total revenues	 <u>138,216</u>
Expenditures	
Conservation:	
Current:	
Mileage/Per Diem	\$ 1,410
Dues	1,480
Office supplies	106
Postage	208
Clerk's salary	5,868
Employee benefits	3,136
Payroll taxes	439
Information/Education/Promotions	2,188
Awards/Special events	323
Governmental gross receipts tax	941
Tree, drip & weed barrier expenses	33,190
Grass drill expenses	61
Fidelity bond	131
Project expenses	89,008
Capital outlay	<u>-</u>
 Total expenditures	 <u>138,489</u>
 Net change in fund balance	 (273)
 Fund balance, beginning of year	 <u>58,225</u>
 Fund balance, end of year	 <u>\$ 57,952</u>

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

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

Net change in fund balance - Governmental Funds (Exhibit 4)	\$	(273)
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Amounts reported in the Statement of Activities are different because:

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

Capital outlay		-
Depreciation expense		(1,188)
		<hr style="border: 0.5px solid black;"/>
Change in net assets - Statement of Activities (Exhibit 2)	\$	<u><u>(1,461)</u></u>

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

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

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Tree, Drip & Weed Barrier Sales	\$ 25,000	\$ 25,000	\$ 37,519	\$ 12,519
Tree Planting	50	50	50	-
Rental-Grass Drill	1,500	1,500	728	(772)
Reimbursement-Grass Drill Repair	2,000	2,000	-	(2,000)
Interest Income	1,100	1,100	1,014	(86)
State allocation	10,000	10,000	9,775	(225)
Donations	2,000	2,000	140	(1,860)
Arch-Hurley Grant Funds	5,000	5,000	-	(5,000)
	<u>46,650</u>	<u>46,650</u>	<u>\$ 49,226</u>	<u>\$ 2,576</u>
Total revenues	46,650	46,650	\$ 49,226	\$ 2,576
Cash balance budgeted	106,225	106,225		
Total	<u>\$ 152,875</u>	<u>\$ 152,875</u>		
Expenditures				
Current:				
Mileage/Per Diem	\$ 2,500	\$ 2,500	\$ 1,410	\$ 1,090
Dues	1,500	1,500	1,480	20
Office supplies	300	300	106	194
Office equipment	400	400	-	400
Telephone	150	150	-	150
Postage	300	300	208	92
Clerk's salary	6,175	5,925	5,868	57
Employee benefits	2,900	3,150	3,137	13
Payroll taxes	500	500	360	140
Information/Education/Promotions	2,000	2,200	2,188	12
Registration fees	650	650	-	650
Awards/Special events	1,100	900	323	577
Governmental gross receipts tax	1,050	1,050	1,012	38
Tree, drip & weed barrier expenses	20,000	32,500	32,467	33
Tree planter expenses	50	50	-	50
Grass drill expenses	2,500	2,500	61	2,439
Election expenses	150	150	-	150
Fidelity bond	150	150	131	19
Project expenses	110,500	98,000	89,730	8,270
	<u>\$ 152,875</u>	<u>\$ 152,875</u>	<u>\$ 138,481</u>	<u>\$ 14,394</u>
Total expenditures	\$ 152,875	\$ 152,875	\$ 138,481	\$ 14,394

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

STATE OF NEW MEXICO
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

The financial reporting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The District is required to implement GASB Statement No. 40, *Deposit and Investment Risk Disclosures* in fiscal year 2005. To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities,

STATE OF NEW MEXICO
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

which rely to a significant extent on fees and charges for support. However, the District does not have any 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) tree sales, drip/weed barrier sales, and equipment rental fees; and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

The District reports the following major governmental funds:

STATE OF NEW MEXICO
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity, if applicable, has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Net Assets and Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be demand deposits and short term investments (certificates of deposit) with original maturities of twelve months 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. Capital Assets

Capital assets, which include property and equipment (including software), are reported in the governmental activities column in the government-wide financial statements. Capital assets, are defined by state law, are assets with an initial cost of \$1,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized. There was no infrastructure required to be capitalized and depreciated under GASB Statement No. 34.

STATE OF NEW MEXICO
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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

Farm equipment	10 years
Computer equipment	5 years

3. Accounts Payable

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

4. Compensated Absences

As of June 30, 2005, the District employee does not earn any annual vacation or sick leave.

5. Net Assets and Fund Balance

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

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

1. Prior to April 1, the Budget Committee submits to the District Board of Supervisors a proposed revenue and expenditure budget for the fiscal year beginning July 1.

STATE OF NEW MEXICO
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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.

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

	General Fund
Non-GAAP revenues (Exhibit 5)	\$ 49,226
Prior year receivables	(134)
Deferred revenue	89,008
Current year receivables	116
GAAP revenues (Exhibit 4)	\$ 138,216
Non-GAAP expenditures (Exhibit 5)	\$ 138,481
Prior year payable	(1,213)
Current year payable	1,221
GAAP expenditures (Exhibit 4)	\$ 138,489

III. Detailed Notes on all Funds

A. Cash

As of June 30, 2005, the District had a carrying amount of deposits of \$58,967 and petty cash of \$90. The bank balances for deposits were \$61,151. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$2,185. The total bank balance of \$61,151 consisted of the following:

STATE OF NEW MEXICO
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

First National Bank

Demand deposits	\$ 8,222
Less: FDIC coverage	<u>(8,222)</u>
Amount uninsured	<u>\$ -0-</u>

First National Bank

Certificate of Deposit	\$ 20,856
Less: FDIC coverage	<u>(20,856)</u>
Amount uninsured	<u>\$ - 0 -</u>

Tucumcari Federal savings

Certificate of Deposit	\$ 11,923
Less: FDIC coverage	<u>(11,923)</u>
Amount uninsured	<u>\$ - 0 -</u>

Citizens Bank

Money Market Account	\$ 20,150
Less: FDIC coverage	<u>(20,150)</u>
Amount uninsured	<u>\$ - 0 -</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in 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.

B. Receivables

Receivables in the general fund consist of \$116 for interest income receivable.

STATE OF NEW MEXICO
CANADIAN RIVER 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
Farm equipment	\$ 24,433	\$ -	\$ -	\$ 24,433
Computer equipment	1,550	-	-	1,550
Totals	25,983	-	-	25,983
Less: Accumulated Depreciation	(22,420)	(1,188)	-	(23,608)
Net Capital Assets	<u>\$ 3,563</u>	<u>\$ (1,188)</u>	<u>\$ -</u>	<u>\$ 2,375</u>

IV. Other Information

A. Employee Benefits

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

B. Risk Management

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

The District is required to obtain a corporate surety bond on behalf of persons responsible for District assets. The District currently maintains a \$30,000 surety bond.

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

STATE OF NEW MEXICO
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

C. Contingent Liabilities

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

D. Joint Powers Agreement – Canadian River Riparian Restoration Project

During the 2004 session, the New Mexico State Legislature appropriated \$4.8 million to the New Mexico Department of Agriculture to remove salt cedar and Russian Olive from the Rio Grande, Pecos and Canadian River Basins. 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 29, 2004
Participants:	New Mexico Association of Conservation Districts and the Canadian River, Colfax, Guadalupe, Mesa, Mora-Wagon Mound, Northeastern, Tierra Y Montes and Ute Creek Soil and Water Conservation Districts
Responsible party for operations:	Mesa Soil and Water Conservation District
Description:	Canadian River Riparian Restoration Project
Beginning date of agreement:	July 1, 2004
Total estimated amount:	\$1,433,333
Amount expended to date:	\$ amount? From Mesa SWCD
Audit responsibility:	New Mexico State University, New Mexico Department of Agriculture
Fiscal agent:	Mesa Soil and Water Conservation District
The government agency where revenues and expenditures are reported:	New Mexico State University

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 Pecos River Basin. As a result of this appropriation, a joint powers agreement

STATE OF NEW MEXICO
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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 Carlsbad, Chaves, Central Valley, Hagerman-Dexter, DeBaca, Penasco, Guadalupe, Upper Hondo, and Canadian River Soil and Water Conservation Districts
Responsible party for operations:	Carlsbad Soil and Water Conservation District
Description:	Pecos River Salt Cedar Control Project
Beginning date of agreement:	July 1, 2002
Total estimated amount:	\$2,500,000
Amount expended to date:	\$ amount? from Carlsbad SWCD
Audit responsibility:	New Mexico State University, New Mexico Department of Agriculture
Fiscal agent:	Carlsbad Soil and Water Conservation District
The government agency where revenues and expenditures are reported:	New Mexico State University



State of New Mexico

OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

Carl M. Baldwin, CPA, CFE
Deputy State Auditor

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Mr. Tommy Wallace, Chairperson
and Members of the Board of Supervisors
Canadian River Soil and Water Conservation District
706 South 1st Box 8
Tucumcari, New Mexico 88401

We have audited the accompanying financial statements of the governmental activities, the general fund and the budgetary comparison of the Canadian River Soil and Water Conservation District (District) as of and for the year ended June 30, 2005 and have issued our report dated February 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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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<http://www.saonm.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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and recommendations as item 04-02.

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

Office of the State Auditor

OFFICE OF THE STATE AUDITOR

February 10, 2006

STATE OF NEW MEXICO
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2005

STATUS OF PRIOR YEAR AUDIT FINDINGS

Finding 04-1. Payroll expenditures not always correct due to math errors on timesheets – Resolved and not repeated.

Finding 04-2. Federal 941 Reports Not Accurate – Repeated

Finding 04-3. Cash handling – Resolved and not repeated.

Finding 04-4. Procurement Code – Resolved and not repeated.

CURRENT YEAR AUDIT FINDINGS

Finding 04-2. Federal 941 Reports Not Accurate

Condition

The FICA and medicare calculations for the federal 941 report have been calculated using net pay instead of gross pay. The District calculated the FICA and medicare using gross pay in fiscal year 2005, however, the District did not file amended 941 reports for fiscal years 2004 and 2005.

Criteria

Federal law requires FICA and medicare contributions to be calculated using the employees gross pay.

Cause

The District clerk was unaware of the requirements to use gross pay to calculate taxes due.

Effect

The District has underreported its FICA and medicare taxes by \$140.00 in fiscal year 2004 and \$106.63 in fiscal year 2005.

STATE OF NEW MEXICO
CANADIAN RIVER SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2005

Recommendation

The District should file the amended 941 reports using gross pay.

Managements Response

The District agrees with the finding concerning the method of calculation of FICA and medicare amounts using net instead of gross pay. Efforts will be made to not repeat this and to rectify the situation by filing amended 941 returns.

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 February 10, 2006, an exit conference was held at the District Office with Mr. Glenn Briscoe, Secretary and Ms. Evelyn Massey, District Clerk of the Canadian River Soil and Water Conservation District. Representing the Office of the State Auditor was Chan Kim, CPA, Audit Manager.