

**STATE OF NEW MEXICO**

**CARRIZOZO**

**SOIL AND WATER CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS**

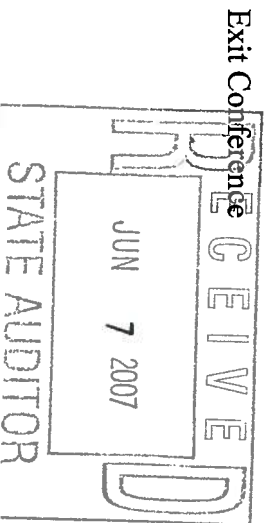
**Fiscal Year Ended June 30, 2006**

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

STATE OF NEW MEXICO  
CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT

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JUNE 30, 2006

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STATE OF NEW MEXICO  
CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER  
JUNE 30, 2006

<u>Board of Supervisors</u>	<u>Position</u>
Melvin Johnson	Chairperson
Jim Grider	Vice-Chairperson
Bill Hightower	Secretary/Treasurer
Jack Allen Davidson	Supervisor
Floyd Proctor	Supervisor

<u>District Personnel</u>	<u>Title</u>
Glenda Booher	Program Director



# **OFFICE OF THE STATE AUDITOR**

**Hector H. Balderas**

## **INDEPENDENT AUDITOR'S REPORT**

Mr. Melvin Johnson, Chair  
and Members of the Board of Supervisors  
Carrizozo Soil and Water Conservation District  
Box 457  
Carrizozo, New Mexico 88301

We have audited the accompanying financial statements of the governmental activities, general fund and the respective budgetary comparison of the Carrizozo 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 June 1, 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

June 1, 2007

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

	Governmental Activities
<b>Assets</b>	
Cash	\$ 85,163
Interest receivable	19
Taxes receivable	854
Notes receivable	2,280
<b>Total assets</b>	<b>88,316</b>
<b>Liabilities</b>	
Accounts payable	228
<b>Total liabilities</b>	<b>228</b>
<b>Net Assets</b>	
Restricted for benevolence fund	3,644
Unrestricted	84,444
<b>Total net assets</b>	<b>\$ 88,088</b>

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

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

	Governmental Activities
<b>Program Expenses:</b>	
Conservation:	
Personal services	\$ 5,611
Education	541
Benevolence	291
Board Expense	725
Travel and per diem	4,808
Dues and subscriptions	1,375
Legal advertising	315
Annual meeting	404
Office supplies and postage	98
Conservation incentive	7,734
NMACD Convention	16
Weed program	5,000
Total program expenses	26,918
<b>Program Revenues:</b>	
Charges for services/miscellaneous	171
Benevolence donations	1,540
Total program revenues	1,711
Net program (expense) revenue	<u>(25,207)</u>
<b>General Revenues:</b>	
State allocation	9,944
Property taxes	26,673
Interest	1,865
Total general revenues	38,482
Change in net assets	13,275
Net assets at beginning of year	74,813
Net assets at end of year	\$ 88,088

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

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

	General Fund
<b>Assets</b>	
Cash	\$ 85,163
Interest receivable	19
Taxes receivable	854
Note receivable	2,280
<b>Total assets</b>	<b><u>\$ 88,316</u></b>
<b>Liabilities and fund balance</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 228
Deferred revenue	523
<b>Total liabilities</b>	<b><u>751</u></b>
<b>Fund balance:</b>	
Reserved for benevolence fund	3,644
Unreserved, undesignated	83,921
<b>Total fund balance</b>	<b><u>87,565</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 88,316</u></b>

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



STATE OF NEW MEXICO  
CARRIZOZO 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)	\$ 87,565
Delinquent property taxes receivable are not recognized as revenue in the funds and are thus reported as deferred revenue	<u>523</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 88,088</u></u>

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

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

	General Fund
<b>Revenues</b>	
State allocation	\$ 9,944
Property taxes	26,826
Benevolence donations	1,540
Chemical charges/miscellaneous	171
Interest income	1,865
<b>Total revenues</b>	<b>40,346</b>
<b>Expenditures</b>	
Conservation:	
Current:	
Personal services	5,611
Education	541
Benevolence	291
Board Expense	725
Travel and per diem	4,808
Dues and subscriptions	1,375
Legal advertising	315
Annual meeting	404
Office supplies and postage	98
Bond	
Government gross receipts tax	7,734
Conservation incentive	16
Convention	5,000
Weed program	
<b>Total expenditures</b>	<b>26,918</b>
<b>Net change in fund balance</b>	<b>13,428</b>
<b>Fund balance beginning of year</b>	<b>74,137</b>
<b>Fund balance end of year</b>	<b>\$ 87,565</b>

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

STATE OF NEW MEXICO  
CARRIZO SOIL AND WATER CONSERVATION DISTRICT  
RECONCILIATION OF THE STATEMENT 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)	\$ 13,428
Amounts reported in the Statement of Activities are different because:	
Net decrease in property tax revenues that are deferred since they do not provide current financial resources and thus are not reported as revenues in the funds	(153)
Change in net assets - Statement of Activities (Exhibit 2)	<u><u>\$ 13,275</u></u>

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

STATE OF NEW MEXICO  
 CARRIZOZO 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			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
State allocation	\$ 10,500	\$ 10,500	\$ 9,944	\$ (556)
Property taxes	24,000	24,000	26,585	2,585
Benevolence donations	1,500	1,500	1,540	40
Sales/miscellaneous	1,750	1,750	170	(1,580)
Interest income	750	750	2,302	1,552
Low interest loan	4,000	4,000	-	(4,000)
<b>Total revenues</b>	<u>\$ 42,500</u>	<u>\$ 42,500</u>	<u>\$ 40,541</u>	<u>\$ (1,959)</u>
<b>Expenditures</b>				
Current:				
Personal services	\$ 7,000	\$ 7,000	\$ 7,208	\$ (208)
Education	2,500	2,500	541	1,959
Board Expense	2,500	2,500	725	1,775
Travel and per diem	3,000	3,000	4,580	(1,580)
Dues and subscriptions	2,000	2,000	1,375	625
Legal advertising	500	500	315	185
Annual meeting	800	800	404	396
Office supplies and postage	100	100	98	2
Bond	250	250	-	250
Government gross receipts tax	100	100	-	100
Conservation incentive	15,000	15,000	7,734	7,266
Weed committee	5,000	5,000	5,000	-
Benevolence	-	-	291	(291)
Miscellaneous/Convention	500	500	16	484
<b>Total expenditures</b>	<u>\$ 39,250</u>	<u>\$ 39,250</u>	<u>\$ 28,287</u>	<u>\$ 10,963</u>

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

STATE OF NEW MEXICO  
CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Carrizozo 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. The Board of Supervisors has chosen to not appoint the two additional supervisors. 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). 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  
CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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) sales of books and chemicals to customers and 2) 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.

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 District reports the following major governmental fund:

STATE OF NEW MEXICO  
CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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 six months or less from the date of acquisition. The interest receivable is accrued on the District's certificate of deposit.

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. Taxes Receivable

Property taxes attach as 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 County Treasurers in Lincoln, Socorro, and Torrance Counties and are remitted to the District in the month following collection. See also note D.5, Deferred revenue.

3. Note Receivable

The note receivable is an amount owed to the District by a former board member. See Note III.B Related Party Transactions.

STATE OF NEW MEXICO  
CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

4. Accounts payable

The account payable as of the balance sheet date is the amount the District agreed to pay to the former Program Director for her accrued annual leave as of the date of her retirement.

5. Deferred Revenue

The District's share of Lincoln County's delinquent property taxes appears as property taxes receivable in both the statement of net assets and the governmental funds balance sheet. In the government-wide financial statements, this amount has been recognized as revenue in the Statement of Activities. In the fund financial statements, the portion not collected within 60 days of the balance sheet is presented as deferred revenue.

6. Compensated Absences

The District's Program Director does not earn vacation or sick leave from the District. The Program Director is an employee of Lincoln County. The District reimburses the County for a portion of the salary earned by the Program Director.

7. 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 – restricted for the benevolence fund and unrestricted net assets. 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. A portion of the fund balance has been reserved for the benevolence fund. The Benevolence Fund resources are classified as restricted assets on the Statement of Net Assets because their use is restricted by the donors.

**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



STATE OF NEW MEXICO  
CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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.

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

	<u>General</u>	<u>Fund</u>
Non-GAAP revenues (Exhibit 5)	\$	40,541
Prior year receivables		(1,221)
Current year receivables		873
Prior year deferred revenue		676
Current year deferred revenue		(523)
GAAP revenues (Exhibit 4)	<u>\$</u>	<u>40,346</u>
Non-GAAP expenditures (Exhibit 5)	\$	28,287
Prior year accounts payable		(1,597)
Current year accounts payable		228
GAAP expenditures (Exhibit 4)	<u>\$</u>	<u>26,918</u>

STATE OF NEW MEXICO  
CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**III. Detailed Notes on all Funds**

**A. Cash**

As of June 30, 2006, the District has a carrying amount of deposits of \$85,163. The deposits consist of a checking account and a certificate of deposit at Wells Fargo Bank. The difference between the total bank balance and the carrying amount is \$4,836 in outstanding checks. As of the balance sheet date, all bank account balances were fully covered by federal depository insurance.

	Checking	CD	Total
Bank balance	\$ 17,762	\$ 72,237	\$ 89,999
FDIC coverage	<u>17,762</u>	<u>72,237</u>	<u>89,999</u>
Amount uninsured	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Custodial Credit Risk* – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2006, none of the Districts bank balances were exposed to custodial credit risk.

**B. Related Party Transactions**

On May 16, 2000, the District loaned Board member Knollene McDaniel \$5,000 at the interest rate of 2% with principal and interest payments of \$2,550 due on November 16, 2000 and May 16, 2001. The unsecured loan was made to finance a conservation project (new water storage tank) and the required payments have not been made by the board member to date. The Board of Supervisors approved the renewal of the loan through May 3, 2004.

**IV. Other Information**

**A. Employee Benefits**

The District does not offer a pension plan, deferred compensation plan, or post-employment benefits to its employees. The District’s Program Director is on Lincoln County’s payroll, which handles the Director’s deductions and benefits including a retirement program (PERA) and health insurance.

STATE OF NEW MEXICO  
CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**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 \$1,000,000 for each wrongful act and \$1,000,000 for the policy aggregated. The District is required to obtain a corporate fidelity bond on behalf of persons responsible for District assets. The District currently maintains a \$75,000 fidelity bond on its Program Director and Board of Supervisors. 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. Melvin Johnson, Chair  
and Members of the Board of Supervisors  
Carrizozo Soil and Water Conservation District  
P. O. Box 457  
Carrizozo, New Mexico 88301

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Carrizozo Soil and Water Conservation District (District) as of and for the year ended June 30, 2006 and have issued our report dated June 1, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and recommendations as item 04-1.

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 error 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the reportable condition described above to be a material weakness.

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 one 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 06-1.

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

June 1, 2007

STATE OF NEW MEXICO  
CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2006

STATUS OF PRIOR YEAR AUDIT FINDINGS

**Finding 04-01 – Past Due Low Interest Loan (Modified and Repeated).**

**Finding 05-01 – District Supervisor hired to work on cost share project (Resolved and not repeated)**

CURRENT YEAR AUDIT FINDINGS

**Finding 04-01 – Past Due Low Interest Loan (Modified and Repeated)**

Condition

In May of 2000 the District made a \$5,000 low interest loan to a former board member. The loan agreement stated that the former board member would pay back the \$5,000 plus \$50 of interest six months later. During the fiscal year ending June 30, 2006, the former board member paid over \$950 and subsequent to the end of the fiscal year, paid another \$1,000. However, as of the time of the audit, the loan has still not been repaid in full.

The District has written the former board member several times during the past three years requesting her to try and make a payment each month. The District has also made an effort to account for the unpaid balance, although the accounting software being used is not designed for keeping track of the payment history on loans.

The unpaid balance of the loan on June 30, 2006 is \$2,280.

Criteria

It is good accounting practice to ensure that all amounts owed to the District are properly accounted for in the District's general ledger and collected in full in accordance with the loan agreement. The anti-donation clause of the State Constitution states: "Neither the state nor any county, school district or municipality ... shall directly or indirectly lend or pledge its credit or make any donation to or in aid of any person ..."

STATE OF NEW MEXICO  
CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2006

Effect

The note receivable could go uncollected if the District doesn't pursue adequate collection efforts. The account balance could be misstated if it is not properly accounted for in the general ledger.

Cause

The District in the past has been sympathetic to the former board member.

Recommendation

The District should continue to pursue the collection of this past due loan balance including interest. In addition, whenever a payment is received, the District should update the payment history which was developed in the past year.

District's Response

The District understands the importance of pursuing payments on the loan to Knollene McDaniel. A payment was received after June 30, 2006 leaving a balance of \$1,331.35. A letter was sent requesting another payment and informing Mrs. McDaniel of the audit finding due to this loan not being paid in a timely manner. When the District receives a payment, the payment history which was developed in the past year will be updated. We thank you for your assistance.

**Finding 06-01 – Lack of Supporting Documentation for a Cost Share Project**

Condition

The District did not obtain copies of invoices in sufficient amount to support two expenditures: A \$3,000 cost share payment to Ranney Ranch and the purchase of \$37 in postage stamps. These two transactions were part of the District's cash disbursements which totaled \$39,189.

Criteria

Good accounting practices and New Mexico's Local Government Finances statutes require that proper supporting documentation be kept on all purchases. Section 6-6-3 NMSA 1978 requires a complete record of the transactions of the entity.

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Effect

Not having the supporting documentation may result in payments being made for goods or services that weren't received.

Cause

The cost share payment was supported with invoices totaling \$3,994. Another \$1,109 in expenditures was supported only with a hand-written listing describing the items purchased and the amounts. The postage stamps were purchased and a receipt apparently was not obtained at the time of the purchase.

Recommendation

The District should request Ranney Ranch to provide invoices to support the \$1,109 in expenditures. For all future expenditures, we recommend the District obtain and attach to the purchase voucher invoices and/or other appropriate supporting documentation. A copy of the cost share agreement should be attached to the purchase voucher for cost share payments, in addition to invoices to support the payment.

District's Response

The District is asking Ranney Ranch for invoices to support the \$1,109.00 in expenditures for the Cost-Share project during the FY2006/2007. In the future the District will obtain and attach to the purchase voucher invoices and other appropriate supporting documentation including, if applicable, a copy of the cost-share agreement. We thank you for your assistance.



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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 5, 2007, an exit conference was held at Corona, New Mexico. Attending were Mr. Melvin Johnson, Chairperson and Ms. Glenda Booher, Program Director of the Carrizozo Soil and Water Conservation District. Representing the Office of the State Auditor was John R. Earnshaw, CPA, Audit Manager.