



**OFFICE OF THE STATE AUDITOR**  
**Hector H. Balderas**

**STATE OF NEW MEXICO**

**CIUDAD**  
**SOIL AND WATER CONSERVATION DISTRICT**

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

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

8007

**STATE OF NEW MEXICO**  
**CIUDAD**  
**SOIL AND WATER CONSERVATION DISTRICT**

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

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

STATE OF NEW MEXICO  
CIUDAD SOIL AND WATER CONSERVATION DISTRICT

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STATE OF NEW MEXICO  
CIUDAD SOIL AND WATER CONSERVATION DISTRICT

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STATE OF NEW MEXICO  
CIUDAD SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER  
JUNE 30, 2006

Board of Supervisors

Position

J. Steven Glass

Chairperson

Lauro Silva

Secretary/Treasurer

Moises Gonzales

Supervisor

David Lujan

Supervisor

Fred Rael

Supervisor

Sara Newton-Juarez

Supervisor

Kathy McCoy

Supervisor

District Personnel

Title

Susan Rich

Natural Resources Specialist



# **OFFICE OF THE STATE AUDITOR**

**Hector H. Balderas**

## INDEPENDENT AUDITOR'S REPORT

Mr. J. Steven Glass, Chair  
and Members of the Board of Supervisors  
Ciudad Soil and Water Conservation District  
6200 Jefferson NE, Room 125  
Albuquerque, New Mexico 87109

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Ciudad 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.

Except as discussed in the following paragraph, 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 opinion.

The District was unable to develop a balanced general ledger from its accounting software which would reconcile cash from the beginning of the fiscal year to the end of the fiscal year. Further, the total of the cash deposited to the bank account could not be reconciled to the revenue received according to the District's accounting software. Likewise, the total of the cash disbursements from the bank account could not be reconciled to the expenditures according to the District's accounting software.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the proper recording of revenues, accounts receivable and expenditures for the District, 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 August 20, 2008 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 basic financial statements and the budgetary comparison of the District. The accompanying schedule of expenditures of federal awards is required by the U.S. Office of Management and Budget, Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Office of the State Auditor*

OFFICE OF THE STATE AUDITOR  
August 20, 2008

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

Exhibit 1

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 114,368
Due from grantors	108,782
Accounts receivable	40,620
Capital assets, net	<u>44,276</u>
 Total assets	 <u>308,046</u>
<b>Liabilities</b>	
Accounts payable	121,718
Accrued payroll	4,665
Deferred revenue	27,891
Noncurrent liabilities:	
Due within one year	3,614
Due in more than one year	<u>40,000</u>
 Total liabilities	 <u>197,888</u>
<b>Net Assets</b>	
Invested in capital assets	44,276
Unrestricted (deficit)	<u>65,882</u>
 Total net assets	 <u><u>\$ 110,158</u></u>

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



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

Exhibit 2

	Governmental Activities
<b>Program Expenses:</b>	
Conservation:	
East Mountain Forest Health Project	\$ 545,145
Salt cedar project	149,129
Mid Rio Grande Watershed Project	54,473
East Mountain Wildfire Protection project	48,283
East Mountain area special projects	39,365
Cedro Creek Restoration	24,984
Rolling Rivers project	5,829
Tijeras Creek project	120
Secretarial and administrative services	23,457
Per diem and mileage	749
Bonding/Insurance	170
Dues	550
Office, postage and misc. supplies	233
Advertising and legal services	228
Subdivision review and soil tests	856
Miscellaneous	443
Depreciation	16,775
 Total program expenses	 910,789
<b>Program Revenues:</b>	
Federal operating grants and contracts	523,042
State operating grants and contracts	202,100
Charges for services:	
Tree thinning	149,298
Subdivision reviews & soil tests	5,376
Rental of equipment	1,609
 Total program revenues	 881,425
 Net program (expense) revenue	 (29,364)
<b>General Revenues:</b>	
State Allotment	9,944
Miscellaneous	362
Interest	125
<b>Special item:</b>	
Gain-insurance reimbursement in excess of book value of asset	2,559
 Total general revenues and special item	 12,990
 Change in net assets	 (16,374)
 Net assets at beginning of year	 126,532
 Net assets at end of year	 \$ 110,158

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

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

	<u>General Fund</u>
<b>Assets</b>	
Cash	\$ 114,368
Due from grantors	108,782
Accounts receivable	<u>40,620</u>
 Total assets	 <u><u>\$ 263,770</u></u>
 <b>Liabilities and fund balance</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 121,718
Accrued payroll	4,665
Deferred revenue	<u>27,891</u>
 Total liabilities	 <u>154,274</u>
 <b>Fund balance:</b>	
Unreserved, undesignated	<u>109,496</u>
 Total fund balance	 <u>109,496</u>
 Total liabilities and fund balance	 <u><u>\$ 263,770</u></u>

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

STATE OF NEW MEXICO  
 CIUDAD 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)	\$	109,496
Capital assets, net of accumulated depreciation		44,276
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Notes payable		(40,000)
Compensated absences		<u>(3,614)</u>
Net Assets - Statement of Net Assets (Exhibit 1)	\$	<u><u>110,158</u></u>

STATE OF NEW MEXICO  
 CIUDAD 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	\$ 9,944
Operating grants	
East Mountain Forest Health	400,120
Salt Cedar Project	123,909
Mid Rio Grande Watershed Project	48,655
East Mountain Wildfire Protection project	48,283
East Mountain area special projects	39,365
Willow Creek project	25,639
Cedro Creek Restoration	24,984
Upper Rio Grande Project	13,187
Rolling Rivers Project	1,000
Charges for services-tree thinning	149,298
Subdivision reviews & soil tests	5,376
Rental of equipment	1,609
Miscellaneous	363
Interest income	125
Total revenues	891,857
<b>Expenditures</b>	
Conservation:	
Current:	
East Mountain Forest Health Project	545,145
Salt Cedar project	149,129
Mid Rio Grande Watershed Project	54,473
East Mountain Wildfire Protection project	48,283
East Mountain area special projects	39,365
Cedro Creek Restoration	24,984
Rolling River project	5,829
Tijeras Creek project	120
Secretarial and administrative services	21,756
Per diem and mileage	749
Bonding/insurance	170
Dues	550
Office, postage and misc. supplies	233
Advertising and legal services	228
Subdivision review and soil tests	856
Miscellaneous	443
Total expenditures	892,313
Excess of revenues over expenditures	(456)
<b>Other Financing Sources</b>	
Insurance proceeds	5,039
Net change in fund balance	4,583
Fund balance beginning of year	104,913
Fund balance end of year	\$ 109,496

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

STATE OF NEW MEXICO  
 CIUDAD 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) \$ 4,583

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: (1,701)

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 (16,775)

In the statement of activities, only the gain on the insurance reimbursement for the stolen item of equipment is reported, whereas, in the governmental funds, the gross amount of the insurance reimbursement increases financial resources. Thus, the change in net assets differs from the change in fund balance by the remaining book value of the asset (2,481)

Change in net assets - Statement of Activities (Exhibit 2) \$ (16,374)

STATE OF NEW MEXICO  
 CIUDAD 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			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
State allocation	\$ 10,000	\$ 9,944	\$ 9,944	\$ -
USDA East Mountain Forest Health Grant	270,000	220,000	477,718	257,718
Salt Cedar Project:				-
City of Albuquerque	130,000			-
Mid Region COG	72,000	269,955	269,955	-
NMACD - Bosque Restoration	75,000	13,187	13,187	-
NRCS I-40 Restoration	30,000	30,000	-	(30,000)
NRCS Willow Creek project	-	-	25,639	25,639
State Forestry Bosque WUI	80,000	-	-	-
Mid Rio Grande Watershed Project	57,000	46,472	46,472	-
East Mountain Community Wildfire project	10,000	60,000	24,980	(35,020)
East Mountain area special projects	-	156,000	62,364	(93,636)
U.S. Department of Interior Rolling Rivers	4,000	1,000	1,000	-
Cedro Creek project	9,950	-	-	-
Recovery of bad debts	2,000	4,273	4,273	-
Rental of equipment	1,000	591	591	-
Sandoval County Grant	2,000	-	-	-
Subdivision Review & Soil Tests	1,000	5,376	5,376	-
Interest Income	100	68	125	57
Insurance proceeds	-	-	5,039	5,039
Miscellaneous	-	343	363	20
<b>Total revenues</b>	<b>\$ 754,050</b>	<b>\$ 817,209</b>	<b>\$ 947,026</b>	<b>\$ 129,817</b>
<b>Expenditures</b>				
<b>Current:</b>				
East Mountain Forest Health Project	\$ 250,800	\$ 238,900	\$ 472,615	\$ (233,715)
Salt Cedar Project	329,908	329,908	284,178	45,730
Mid Rio Grande Watershed Project	51,950	51,950	54,516	(2,566)
East Mountain Community Wildfire project	-	-	25,814	(25,814)
East Mountain area special projects	-	156,000	57,499	98,501
Rolling River project	1,840	1,840	5,707	(3,867)
Tijeras Creek project	4,500	4,500	196	4,304
Rio Puerco project	1,000	1,000	-	1,000
Secretarial and administrative services	54,600	20,251	19,059	1,192
Technical services	3,000	3,000	2,140	860
Per diem and mileage	3,000	3,000	748	2,252
Bonding and insurance	300	300	170	130
Dues	2,000	2,000	550	1,450
Office, postage and misc. supplies	5,000	600	233	367
Legal advertising	4,000	250	227	23
Subdivision review and soil tests	2,500	2,500	856	1,644
Information and education	4,000	50	50	-
Education and outreach	20,652	-	-	-
Insurance	12,000	-	-	-
Miscellaneous	2,000	160	393	(233)
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>\$ 753,050</b>	<b>\$ 816,209</b>	<b>\$ 924,951</b>	<b>\$ (108,742)</b>

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

STATE OF NEW MEXICO  
CIUDAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Ciudad 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). 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, which rely to a significant extent on fees and charges for support. However, the District does not have any fiduciary or business-type activities.

STATE OF NEW MEXICO  
CIUDAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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) landowner payments for tree thinning in the East Mountain Forest Health Project, 2) equipment rentals paid for the use of District equipment and 3) federal and state grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. The allotment received through New Mexico State University and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. The general fund is the District's only governmental fund and is reported 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. 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 including amounts received from grants and contracts are recognized as soon as they are measurable and available. These 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, 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 and all other revenue items are considered to be measurable and available only when cash is received by the government.



STATE OF NEW MEXICO  
CIUDAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

The District reports the following major governmental fund:

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.

The District has a single fund. Thus, there is no interfund activity to be 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 (a certificate of deposit) with a maturity of one year.

2. Receivables and Payables

Receivables consist of amounts due from grantors and cost share receivables from landowners. Payables consist of amounts due to employees and third parties for payroll related expenditures, as well as amounts due to vendors for goods and services received as of June 30, 2006.

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 government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal

STATE OF NEW MEXICO  
CIUDAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized.

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

Modular Building	10 years
Farm equipment	7 years
Vehicles	5 years
Office equipment	5 years
Computer equipment	5 years

4. Note payable

The District borrowed \$40,000 from Bernalillo County in December 2004. The loan is to be repaid without interest on December 31, 2007. The purpose of the loan is to provide the District with working capital to cover the lag time between the time the District pays subcontractors and suppliers on projects and the time reimbursement is received from grantors. The expenditure-driven grants the District receives require payment be made before reimbursement can be received from the grantor.

5. Deferred Revenue

The District reports deferred revenue in connections with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Also, revenue recognition is deferred in connection with resources that have been received, but not yet earned.

6. 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 leave at 20 hours per quarter for the first two years. After three years of employment the employee earns 30 hours per quarter. Employees may not carry more than 40 hours forward from one calendar year to the next.

STATE OF NEW MEXICO  
CIUDAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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 – invested in capital assets, which is the cost of capital assets, net of accumulated depreciation, and unrestricted net assets. In the fund financial statements, governmental funds report no reservations of fund balance. .

**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  
CIUDAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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

	General Fund
Non-GAAP revenues (Exhibit 5)	\$ 947,026
Prior year receivables	(202,130)
Prior year refund payable	1,536
Prior year deferred revenue	28,953
Current year deferred revenue	(27,891)
Current year receivables	149,402
GAAP revenues (Exhibit 4)	\$ 896,896
Non-GAAP expenditures (Exhibit 5)	\$ 924,951
Prior year payables, net of refunds	(154,356)
Prior year payroll accrual	(4,665)
Current year payables	121,718
Current year payroll accrual	4,665
GAAP expenditures (Exhibit 4)	\$ 892,313

**III. Detailed Notes on all Funds**

**A. Cash and Cash Equivalents**

As of June 30, 2006, the District had a carrying amount of deposits of \$114,368. The bank balances for deposits were \$150,679. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$36,311. The total bank balance consists of the following:

	Demand Deposits	Certificate Of Deposit
Bank of the West:		
Balance per bank	\$ 143,225	\$ 7,454
Less: FDIC coverage	100,000	7,454
Amount uninsured	\$ 43,225	\$ -0-
50% collateral requirement	\$ 21,613	\$ -0-
Collateral pledged	3,632	
Under collateralized	\$ (17,981)	

STATE OF NEW MEXICO  
CIUDAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

The pledged security consists of the following:

Description: FNMA FN #54373  
CUSIP #: 313619MW5  
Maturity: 9/01/2017  
Location: Wells Fargo Bank, Minneapolis, MN  
Market value: \$3,632

*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, \$43,225 of the District's bank balance of \$150,679 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 39,593
Uninsured and collateral held by pledging bank's trust department not in the District's name	<u>3,632</u>
Total	<u>\$ 43,225</u>

**B. Receivables**

As of June 30, 2006, \$108,782 is due from the grantors for reimbursable expenditures incurred under grant agreements for the various projects. Also, the accounts receivable balance of \$40,620 consists of amounts due from landowners under cost-share agreements for tree thinning activities on their properties and amounts due for equipment rental. The District considers all of the receivables to be collectible; therefore, an allowance for uncollectible accounts has not been established.

**C. Accounts Payable**

As of June 30, 2006, the District owes \$121,718 in accounts payable to suppliers and contractors. Over \$90,000 of this amount is due to contractors for tree thinning services rendered to the District in connection with the East Mountain Forest Health Project. The landowners and grantors have been billed for their proportional shares of the amounts owed by the District. Substantially all of the amounts owed by the District as of June 30, 2006 were reimbursed by the grantors and landowners during July and August 2006.

STATE OF NEW MEXICO  
CIUDAD SOIL AND WATER CONSERVATION DISTRICT

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**D. Capital Assets**

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

Description	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
Farm equipment & vehicles	\$ 85,541		\$ 7,087	\$ 78,454
Office & computer equipment	7,713		-	7,713
Modular building	3,960		-	3,960
Totals	<u>97,214</u>	<u>-</u>	<u>7,087</u>	<u>90,127</u>
Accumulated depreciation				
Farm equipment & vehicles	(31,176)	(14,837)	(4,606)	(41,407)
Office & computer equipment	(2,110)	(1,542)	-	(3,652)
Modular building	(396)	(396)	-	(792)
Net capital assets	<u>\$ 63,532</u>	<u>\$ (16,775)</u>	<u>\$ 2,481</u>	<u>\$ 44,276</u>

All of the \$16,775 of depreciation is charged to the conservation function.

**E. Long-Term Debt**

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
Note payable	\$ 40,000	\$ -	\$ -	\$ 40,000	\$ -
Compensated absences	1,913	7,649	5,948	\$ 3,614	3,614
Totals	<u>41,913</u>	<u>7,649</u>	<u>5,948</u>	<u>43,614</u>	<u>3,614</u>

Compensated absences are liquidated by the general fund. The note payable, when it becomes due, will also be liquidated by the general fund.

STATE OF NEW MEXICO  
CIUDAD SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
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**IV. Other Information**

**A. Employee Retirement Benefits**

The District does not offer a pension plan, deferred compensation plan or post-employment benefits to its employees for this fiscal year.

**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 \$1,050,000 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 \$25,000 surety bond as well as commercial property coverage. The District is not a defendant in any lawsuit. The only loss the District sustained during the last several years was the theft of an ATV (off-road vehicle) for which the District received \$5,039 from the insurance company during the current fiscal year.

**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. Subsequent Event**

In February 2007, the Claunch-Pinto Soil and Water Conservation District assumed the trusteeship of the Upper Rio Grande Salt Cedar Control project from the New Mexico Association of Conservation Districts (NMCD). The following Soil and Water Conservation Districts (SWCD) entered into a Joint Powers Agreement with Claunch-Pinto SWCD for removal of salt cedar from the Upper Rio Grande Basin: East Rio Arriba, Ciudad, Coronado, Valencia, Santa Fe Pojoaque and East Torrance. As of August 29, 2008 Ciudad SWCD had not

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received any appropriations under the Joint Powers Agreement and the amount, if any that Ciudad would receive has not yet been determined.

**E. Joint Powers Agreements**

**East Mountain Forest Health Project**

The District has entered into this Umbrella JPA with the New Mexico Energy, Minerals and Natural Resources Department (EMNR) for conducting wildland urban interface projects.

Date of agreement:	August 19, 2003
Participants:	State of New Mexico Energy Minerals and Natural Resources Department and Ciudad Soil and Water Conservation District
Responsible party for operations:	Ciudad Soil and Water Conservation District
Description:	East Mountain Forest Health Project
Beginning and ending date of agreement:	Begin: August 19, 2003. End: June 30, 2004 but may be extended one year at a time. Currently extended through June 30, 2006.
Total estimated amount:	This is an umbrella JPA under which Ciudad conducts wildland urban interface projects under agreements with the Energy Minerals and Natural Resources Department. Funds are budgeted and accounted for by project.
Amount expended to date:	
Audit responsibility:	Ciudad Soil and Water Conservation District
Fiscal agent:	Ciudad Soil and Water Conservation District
The government agency where revenues and expenditures are reported:	Ciudad Soil and Water Conservation District



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**Mid Rio Grande Watershed Project**

Date of agreement:	August 16, 2004
Participants:	State of New Mexico Environment Department and Ciudad Soil and Water Conservation District
Responsible party for Operations:	Ciudad Soil and Water Conservation District
Description:	Mid Rio Grande Watershed Project
Beginning and ending date of agreement:	Begin: August 16, 2004 End: June 30, 2006
Total estimated amount:	\$85,000
Amount expended to date:	\$75,485
Audit responsibility:	Ciudad Soil and Water Conservation District
Fiscal agent:	Ciudad Soil and Water Conservation District
The government agency where revenues and expenditures are reported:	Ciudad Soil and Water Conservation District

**Access to Mid Rio Grande Conservancy District Lands**

Date of agreement:	June 17, 2003
Participants:	Mid Rio Grande Conservancy District (MRGCD); Ciudad Soil and Water Conservation District
Responsible party for Operations:	Ciudad Soil and Water Conservation District
Description:	Access to land owned by or controlled by MRGCD for a non-native phreatophyte eradication and control program
Beginning and ending date of agreement:	Begin: June 17, 2003 End: June 17, 2008
Total estimated amount:	0
Amount expended to date:	0
Audit responsibility:	n/a
Fiscal agent:	n/a
The government agency where revenues and expenditures are reported:	There are no revenues and expenditures connected with this agreement. It is merely MRGCD authorizing Ciudad to access MRGCD lands.

STATE OF NEW MEXICO  
 CIUDAD SOIL AND WATER CONSERVATION DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:		
Passed through the State of New Mexico - Energy, Minerals and Natural Resources Department		
U.S. Forest Service, Cooperative Forestry Assistance		
East Mountain Forest Health Grant	10.664	\$ 400,119
Total U.S. Department of Agriculture		400,119
U.S. Department of Interior:		
Bureau of Reclamation/Water		
Conservation Grant/Rolling River	15.000	5,829
Passed through the State of New Mexico - Energy, Minerals and Natural Resources Department		
Bureau of Land Management/National Fire Plan		
East Mountain Community Wildfire Protection Plan	15.228	48,283
Total U.S. Department of Interior		54,112
U.S. Environmental Protection Agency:		
Passed through the State of New Mexico - Environment Department		
Section 319 H Grant/Tijeras Creek Project	66.460	120
Middle Rio Grande Watershed Project	66.460	54,473
Cedro Creek Restoration	66.461	24,984
Total U.S. Environmental Protection Agency		79,577
Total Expenditures of Federal Awards		\$ 533,808

## Notes:

## 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general-purpose financial statements.

## 2. Other Information

The District has no outstanding federal loans and does not provide federal grants to subrecipients.



## **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. J. Steven Glass, Chair  
and Members of the Board of Supervisors  
Ciudad Soil and Water Conservation District  
6200 Jefferson NE, Room #125  
Albuquerque, New Mexico 87109

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Ciudad Soil and Water Conservation District (District) as of and for the year ended June 30, 2006 and have issued our report dated August 20, 2008. A qualified opinion was issued on the financial statements of the District. The District was unable to develop a balanced trial balance that reconciled cash from the beginning of the fiscal year to the end of the fiscal year. Further, the District's trial balance could not be reconciled to the amounts of revenue and expenditures that flowed through the District bank account during the year. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as finding 03-5.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider finding 03-5 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as findings 05-1, 06-1 and 06-2.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

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 its committees, and applicable federal 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

August 20, 2008



## **OFFICE OF THE STATE AUDITOR**

**Hector H. Balderas**

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mr. J. Steven Glass, Chair  
and Members of the Board of Supervisors  
Ciudad Soil and Water Conservation District  
6200 Jefferson NE, Room #125  
Albuquerque, New Mexico 87109

#### Compliance

We have audited the compliance of the Ciudad Soil and Water Conservation District (District) with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Auditing of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance we with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs, as finding 06-3.

#### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express on opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration on internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

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 its committees and federal awarding agencies and pass-through entities 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

August 20, 2008



STATE OF NEW MEXICO  
 CIUDAD SOIL AND WATER CONSERVATION DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2006

**Section I- Summary of Auditor's Results**

*Financial Statements*

- |   |               |
|---|---------------|
| (1) Type of auditor's report issued:  | Qualified     |
|   |               |
| (2) Internal control over financial reporting:  |               |
| • Material weakness identified?   | Yes           |
| • Reportable conditions identified that are not considered to be material weaknesses? | None Reported |
|   |               |
| (3) Noncompliance material to financial statements noted                              | No            |

*Federal Awards*

- |  |   |
|--|---|
| (1) Internal control over major programs:  |   |
| • Material weakness(es) identified?  | No  |
| • Reportable condition(s) identified that are not considered to be material weaknesses?                                | None Reported   |
|  |   |
| (2) Type of auditor's report issued on compliance for major programs:  | Unqualified   |
|  |   |
| (3) Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No  |
|  |   |
| (4) Identification of major programs:  | Cooperative Forestry Assistance<br>US Forest service wildland urban interface/East Mountain Forest Health - CFDA # 10.664 |
|  |   |
| (5) Dollar threshold to distinguish between type A and type B programs:  | \$300,000   |
|  |   |
| (6) Auditee qualified as a low-risk auditee:   | No  |

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CIUDAD SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**Section II – Financial Statement Findings**

**(1) Prior Year Findings:**

- 03-5 Inaccurate Recording of Revenues and Expenditures – Not Resolved; Modified and Repeated.
- 05-1 Uncollateralized Bank Account – Not Resolved; Modified and Repeated.

**(2) Current Year Findings:**

- 03-5 Inaccurate Recording and Reporting of Transactions in Accounting System – Modified and Repeated
- 05-1 Uncollateralized Bank Account –Modified and Repeated.
- 06-1 Capital Asset Theft not Reported to State Auditor
- 06-2 Expenditures in Excess of Budget
- 06-3 Late Data Collection Form Submission

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**CURRENT YEAR AUDIT FINDINGS**

**Finding 03-5. Inaccurate Recording and Reporting of Transactions in Accounting System (Material Weakness) Modified and Repeated.**

**Condition**

The District has not been able to produce a balanced general ledger that properly accounts for all of its assets, liabilities, net equity, revenues and expenditures. In accounting terminology, a general ledger is considered to be "balanced" if the debits equal the credits. In order to conduct an audit, it is necessary to begin with a general ledger that is in balance.

The auditors had to derive amounts from two different reports produced from the Quick Books software in order to develop a substitute for a client-prepared trial balance. The result was a listing that presented debit and credit balances for the District's accounts, but the list did not balance. Debits exceeded credits by \$18,825.41. The auditors expended considerable time trying to develop a balanced trial balance from the information produced from the Quick Books software but to no avail.

**Criteria**

Double entry bookkeeping requires that debits equal credits. This is one of the principles of accounting and is a major part of the foundation upon which accurate and meaningful financial statements are built.

**Effect**

The general ledger is out of balance and the actual revenues and expenditures for the District may be obscured and misstated. The general ledger may be incomplete.

**Cause**

The District's reports from Quick Books indicate whether they are "cash basis" or "accrual basis." The out of balance in the general ledger may result from having a combination of cash basis and accrual basis amounts. Some transactions may have been entered incorrectly. This includes entries where only the debit or only the credit has been recorded. Also, Quick Books is a basic accounting software package which was

STATE OF NEW MEXICO  
CIUDAD SOIL AND WATER CONSERVATION DISTRICT

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JUNE 30, 2006

developed for small businesses. It was not developed for governments that have multiple sources of revenues and a need to maintain job cost records to track funds from these different sources.

Recommendation

The District should consider purchasing new software which is based on double entry bookkeeping and which will enable it to produce a general ledger that is in balance at the end of each month, as well as at the end of the fiscal year. The software should also enable the District to keep track of the revenues and expenditures for each of the programs funded by grants and contracts.

District's Response

In Fiscal Year 07/08 the District used only cash-basis bookkeeping and purchased an upgraded QuickBooks program. The Administrative Manager will investigate further to see if QuickBooks can meet the needs of the District and for future audits. If unsuccessful, the Administrative Manager will look into another program for the District. At this time grants continue to be tracked with spreadsheets as well as the QuickBooks system.

**Finding 05-1 – Uncollateralized Bank Account. Modified and Repeated.**

Condition:

During most of the fiscal year ending June 30, 2006, the district's cash balance on deposit at Bank of the West exceeded the FDIC limit of \$100,000. As a result of the previous fiscal year's financial audit, the District contacted the bank and requested that collateral be posted as required by New Mexico law. On March 22, 2006, the bank posted the collateral required in order to conform to the Public Money Statutes. The District was uncollateralized by \$17,981 as of June 30, 2006.

Criteria:

The Public Money statutes, 6-10-17 NMSA 1978 requires the bank to collateralize the district's bank account in an amount equal to one half of the public monies in excess of the FDIC insured amount.

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Effect:

The district had cash on deposit at the bank that was at risk of loss in the case of bank failure.

Cause:

Originally, the bank did not post collateral because it did not recognize that Ciudad SWCD's account was a government account. After the bank posted adequate collateral pursuant to 6-10-17 NMSA 1978 on March 22, 2006, an apparent clerical error occurred at the bank and the amount of the collateral was reduced to an amount that was inadequate and no longer in conformance with the Public Money statutes. It appears the bank did not monitor the account closely to determine if the amount of collateral posted was adequate.

Recommendation:

Contact the bank to have the amount of collateral increased to conform to the Public Money statutes. Also, ask the bank to monitor the account monthly and adjust the amount of collateral posted accordingly.

District's Response:

This finding was due to an error on the part of Bank of the West. The bank was contacted and collateral increased. As of March, 2007 the District has received monthly collateral deposit reports that have reflected the correct amount of collateral.

**06-1 Capital Asset Theft not Reported to State Auditor**

Condition

The District failed to notify the Office of the State Auditor of the theft of property, the ATV 600 Polaris Sportsman, acquired by the District for \$7,087 on October 9, 2002 and apparently stolen in December 2005. The ATV's undepreciated book value at the time of theft was \$2,480.

Criteria

State Auditor Office Rule, NMAC Section 2.2.2.10.W calls for the District to notify the Office of the State Auditor in writing about any disposition of capital assets. When a

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JUNE 30, 2006

disposition is planned for, notification should be at least thirty days prior to the disposition. For involuntary conversions such as from theft, fire, or accident, notification should be made prior to the end of the fiscal year.

Effect

The District did not comply with the State Auditor Rule by failing to report the theft of the ATV 600 Polaris Sportsman.

Cause

The District was not aware of the requirement to notify the State Auditor of the disposition of property in the event of a theft.

Recommendation

We recommend that the District ensure that they notify the State Auditor of capital assets dispositions according to regulation.

District's Response

The District will comply in the future and also will be included in our Fiscal Policy, to be approved at October, 2008 Board meeting.

**06-2 Expenditures in Excess of Budget**

Condition

The District's actual expenditures exceeded the approved budget by \$108,742 in total. This over expenditure is disclosed in Exhibit 5,

Criteria

Budgets for soil and water conservation districts are approved by DFA in accordance with Section 6-6-2 NMSA 1978. District's expenditures cannot exceed the approved budget according to Section 6-6-6 NMSA 1978 which states: "When any budget for a local public body has been approved and received by a local public body, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof, and no official shall pay any check or warrant in excess thereof, and the allowances or claims or checks or warrants so allowed or paid

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CIUDAD SOIL AND WATER CONSERVATION DISTRICT  
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shall be a liability against the officials so allowing or paying those claims or checks or warrants, and recovery for the excess amounts so allowed or paid may be had against the bondsmen of those officials.”

Effect

District is not in compliance with state law.

Cause

The District did not budget for the receipt of grant revenues for the East Mountain Forest Health project of \$238,893 and related grant expenditures. However, Board minutes indicate approval of expenditures.

Recommendation

Adopt budget adjustments in accordance with the District’s plans and operations. Obtain approval from DFA before any expenditures are incurred. Monitor accounts at least quarterly to ensure that actual expenditures do not exceed the approved budget or available fund balance at any time during the fiscal year.

District’s Response

In order to avoid future over expending our budget and inadequate budget revisions, a number of measures have been taken. First, the District has included in their Fiscal Policy, to be approved at our October, 2008 Board meeting, that “When the Board of Supervisors is voting on Budgets or Budget Resolutions, it is required that they receive the actual-to-date and any other information necessary to be able to double check the accuracy and to correct any discrepancies of the Budget or Budget Resolutions. This also gives each Supervisor the information to be able to make educated decisions on how to vote.” Second, included in the Fiscal Policy “In order for the Board of Supervisors to be able to monitor that the District does not over expend its budget, they will be provided a Budget vs. Actual report at the minimum of quarterly by District Administrative Manager or staff that is maintaining financial records.” Both policies will be adhered to.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**06-3: Late Data Collection Form Submission  
CFDA # 10.664 Cooperative Forestry Assistance - East Mountain Forest Health  
Project**

Condition

The District expended more than \$500,000 in federal funds during this fiscal year. Thus, it was required to have a Single Audit and submit a Data Collection Form for the fiscal year by March 31, 2007. The District did not request an extension of time from the oversight agency for audit.

Criteria

OMB Circular A-133 Section .320(a) states that the Data Collection Form and Audit report shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period. Based on this regulation, the latest the Department could have filed the Data Collection Form in a timely manner with the Federal Audit Clearinghouse was March 31, 2007. OMB Circular A-133 Section 320(a) permits the oversight agency for audit to grant an extension of time for submitting the Data Collection Form if the request for extension is submitted in advance of the regular due date noted in the previous sentence.

Effect

The District is in violation of OMB Circular A-133 Section .320(a). This violation could potentially jeopardize the District's eligibility for funding from Federal agencies. Late audit report submission also prevents the timely release of financial data.

Questioned Costs

None.

Cause

The pass through entity for the Cooperative Forestry Assistance grant appears to have not advised the District that the grant funds received through them included federal funds.

Recommendation

We recommend that when the District receives a grant from any entity other than a federal agency, the District inquire as to whether there are any federal funds included in the grant. If the grant does include federal funds, the District needs to obtain the CFDA number for the grant. This will enable the auditors to identify the compliance



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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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requirements for the grant and to perform a Single Audit pursuant to OMB Circular A-133.

Department's Response

The District will file this report online when we receive final audit numbers. In addition as of Fiscal Year 07/08 we have been asking all grantors whether funds received are federal or non-federal and have been carefully tracing federal funds expenditures.

STATE OF NEW MEXICO  
CIUDAD 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 August 29, 2008, an exit conference was held at the District Office with Mr. J. Steven Glass, Supervisor and Ms. Sue Hansen, Project Manager of the Ciudad Soil and Water Conservation District. Representing the Office of the State Auditor was John R. Earnshaw, CPA, Audit Manager. The results of the audit were discussed.

