

Extra

State of New Mexico
OFFICE OF THE STATE AUDITOR

STATE OF NEW MEXICO

CORONADO

SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2005

(With Independent Auditor's Report Thereon)



Domingo P. Martinez, CGFM
State Auditor

8012

STATE OF NEW MEXICO
CORONADO SOIL AND WATER CONSERVATION DISTRICT
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JUNE 30, 2005

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STATE AUDITOR

STATE OF NEW MEXICO
CORONADO AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
Tony Lucero	Chairperson
Nick Mora	Vice-Chairperson
Reuben Montoya	Secretary/Treasurer
Tomas Martinez	Supervisor
Lawrence Montoya	Supervisor
Garth De Leon	Supervisor
Sisto Quintana	Supervisor

<u>District Personnel</u>	<u>Title</u>
Natalie Hefner	Program Administrator



State of New Mexico

OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

Carl M. Baldwin, CPA, CFE
Deputy State Auditor

INDEPENDENT AUDITOR'S REPORT

Mr. Tony Lucero, Chairperson
and Members of the Board of Supervisors
Coronado Soil and Water Conservation District
P. O. Box 69
Bernalillo, New Mexico 87004

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

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

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

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

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 April 28, 2006 on our consideration of the District's internal control over financial reporting and on 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

April 28, 2006

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

	Governmental Activities
Assets	
Cash	\$ 66,907
Capital assets, net	<u>491</u>
Total assets	<u>67,398</u>
Liabilities	
Accounts payable	407
Deferred revenue	<u>7,878</u>
Total liabilities	<u>8,285</u>
Net Assets	
Invested in capital assets	491
Unrestricted	<u>58,622</u>
Total net assets	<u><u>\$ 59,113</u></u>

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

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

	Governmental Activities
Program Expenses:	
Conservation:	
Administrative services	\$ 4,955
Travel	1,174
Bonding	250
Office supplies and expenses	846
Advertising/legal notices	30
Education and information	1,361
Dues and subscriptions	50
Subdivision reviews	250
Pactas Environmental Education Project	2,122
Newsletter	551
Taxes	205
Miscellaneous	163
Depreciation	490
Total program expenses	12,447
Program Revenues:	
Operating grant - NMIDA	2,122
Charges for services -	
Subdivision reviews	1,150
Sprayer rental	60
Miscellaneous	398
Total program revenues	3,730
Net program (expense) revenue	(8,717)
General Revenues:	
State allocation	8,993
County grant	2,000
Interest income	1,138
Total general revenues	12,131
Change in net assets	3,414
Net assets at beginning of year	55,699
Net assets at end of year	\$ 59,113

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

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

Exhibit 3

	General Fund
Assets	
Cash	\$ 66,907
Total assets	\$ 66,907
Liabilities and fund balance	
Liabilities:	
Accounts payable	\$ 407
Deferred revenue	7,878
Total liabilities	8,285
Fund balance:	
Unreserved, designated for subsequent year's expenditures	38,000
Unreserved, undesignated	20,622
Total fund balance	58,622
Total liabilities and fund balance	\$ 66,907

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

STATE OF NEW MEXICO
CORONADO SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Amounts reported for governmental activities in the Statement of Net Assets are different from the way they are reported in the Balance Sheet - Governmental Funds as follows:

Fund Balance - Balance Sheet (Exhibit 3)	\$ 58,622
Capital assets, net of accumulated depreciation	<u>491</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 59,113</u></u>

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

STATE OF NEW MEXICO
 CORONADO SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>General Fund</u>
Revenues	
State allocation	\$ 8,993
County Grant	2,000
Operating grant - NMMA	2,122
Sprayer rental	60
Subdivision reviews	1,150
Interest income	1,138
Miscellaneous	398
Total revenues	<u>15,861</u>
Expenditures	
Conservation:	
Current:	
Administrative services	4,955
Travel	1,174
Bonding	250
Office supplies and expenses	846
Advertising/legal notices	30
Education and information	1,361
Dues and subscriptions	50
Subdivision reviews	250
Placitas Environmental Education Project	2,122
Newsletter	551
Taxes	205
Miscellaneous	163
Total expenditures	<u>11,957</u>
Net change in fund balance	3,904
Fund balance beginning of year	<u>54,718</u>
Fund balance end of year	<u><u>\$ 58,622</u></u>

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

STATE OF NEW MEXICO
CORONADO 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, 2005

Net change in fund balance - Governmental Funds (Exhibit 4) \$ 3,904

Amounts reported in the Statement of Activities are different because:

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

Depreciation expense	<u>(490)</u>
Change in net assets - Statement of Activities (Exhibit 2)	<u><u>\$ 3,414</u></u>

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

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

	General Fund				Variance
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)	
Revenues					
State Allocation	\$ 8,030	\$ 8,992	\$ 8,993	\$ 1	
County Grant	2,000	2,000	2,000	-	
Operating grant - NMDA	-	10,000	2,122	(7,878)	
Subdivision Reviews	2,000	2,000	1,150	(850)	
Interest Income	1,400	1,400	1,138	(262)	
Sprayer Rental and Miscellaneous	500	500	458	(42)	
Total revenues	<u>13,930</u>	<u>24,892</u>	<u>15,861</u>	<u>\$ (9,031)</u>	
Cash balance budgeted	20,100	20,100			
Total revenues and cash	<u>\$ 34,030</u>	<u>\$ 44,992</u>			
Expenditures					
Current:					
Administrative services	\$ 4,480	\$ 5,442	\$ 4,584	\$ 858	
Travel	1,500	1,500	1,138	362	
Bonding	300	300	250	50	
Office supplies and expenses	1,000	1,000	846	154	
Advertising/legal notices	500	500	30	470	
Education and information	1,500	1,500	1,361	139	
Dues and subscriptions	1,000	1,000	1,050	(50)	
Conservation Project	4,900	4,900	-	4,900	
Subdivision reviews	1,500	1,500	750	750	
Placitas Environmental Education Project	-	10,000	2,122	7,878	
Newsletter	2,500	2,500	551	1,949	
Taxes	1,000	1,000	205	795	
Watershed Maintenance	13,650	13,650	-	13,650	
Miscellaneous	200	200	163	37	
Total expenditures	<u>\$ 34,030</u>	<u>\$ 44,992</u>	<u>\$ 13,050</u>	<u>\$ 31,942</u>	

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

STATE OF NEW MEXICO
CORONADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The District, is required to implement GASB Statement 40, *Deposit and Investment Risk Disclosures* in fiscal year 2005. To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, the District does not have any business-type activities.

STATE OF NEW MEXICO
CORONADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to land developers for subdivision reviews, 2) equipment rentals and 3) operating grants that are restricted to meeting the operational requirements of a particular project. 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. 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.

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

The District reports the following major governmental funds:

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

STATE OF NEW MEXICO
CORONADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

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

D. Assets, Liabilities, Net Assets and Fund Balance

1. Cash and Cash Equivalents

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

State statutes authorize the District to invest in obligations of the U.S. Treasury, repurchase agreements, and certificates of deposit. Investments for the District are reported at fair value.

2. Capital Assets

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

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

Computer	5 years
Farm equipment	5 years

3. Accounts Payable

STATE OF NEW MEXICO
CORONADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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

4. Compensated Absences

As of June 30, 2005, the District's Program Administrator does not earn any vacation or sick leave.

5. Net Assets and Fund Balance

The difference between the District's assets and liabilities is its net assets. The District's net assets consist of two components – invested in capital assets, which is the cost of net assets, net of accumulated depreciation and unrestricted net assets. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The District has no fund balance reservations, but does have \$38,000 of its fund balance that has been designated to balance the budget for the subsequent fiscal year.

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.

STATE OF NEW MEXICO
CORONADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

The legal level at which actual expenditures may not exceed budgeted expenditures is at the total fund level. The Board can revise its budget with the approval of DFA-LGD. Per Exhibit 5, no significant budget adjustments were made during the fiscal year. Encumbrance accounting is not utilized by the District.

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

	General	Fund
Non-GAAP expenditures (Exhibit 5)	\$ 13,050	
Current Year Accounts Payable	407	
Prior Year Accounts Payable	(1,500)	
GAAP expenditures (Exhibit 4)	<u>\$ 11,957</u>	

III. Detailed Notes on all Funds

A. Cash

As of June 30, 2005, the District had a carrying amount of deposits of \$36,299. The bank balances of demand (checking) deposits were \$31,757 and \$4,542, respectively, which are held at the First Community Bank and Wells Fargo and are fully insured by FDIC depository insurance. As of June 30, 2005, the District had a carrying amount of investments totaling \$30,608 which consisted of 6 CD's with maturity dates ranging from September 27, 2005 to March 2, 2008. The CD's are on deposit with Wells Fargo Bank and are fully insured by FDIC insurance.

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, 2005 none of the District's bank balance was exposed to custodial credit risk.

B. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

STATE OF NEW MEXICO
CORONADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

	Balance 6/30/04	Additions	Deletions	Balance 6/30/05
Governmental Activities				
Computer Equipment	\$ 2,453	-	-	\$ 2,453
Farm Equipment	2,000	-	-	2,000
Totals at historical cost	4,453	-	-	4,453
Less accumulated depreciation for:				
Computer Equipment	1,472	490	-	1,962
Farm Equipment	2,000	-	-	2,000
Total accumulated depreciation	(3,472)	(490)	-	(3,962)
Total Capital Assets, Net	\$ 981	\$ (490)	\$ -	\$ 491

IV. Other Information

A. Employee Retirement Benefits

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

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

C. Contingent Liabilities

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

D. Related Party Transactions

STATE OF NEW MEXICO
CORONADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

The District's Secretary/Treasurer paid the District \$60 for rental of the sprayer during this fiscal year.

E. Operating Leases

The District entered into a lease agreement with Sandoval County for lease of office space in Bernalillo, New Mexico. The lease term is from September 15, 2004 to the termination date of February 15, 2005. The original monthly rent was \$50.00; the lease contains a renewal provision stating that the monthly rate shall remain unchanged during the renewal period of one (1) year. The District expended \$400 during the year for the lease. The District did not renew the lease agreement and therefore has no unpaid lease payments due after the fiscal year ending June 30, 2005.

F. Joint Powers Agreement – Upper Rio Grande Salt Cedar Project

During the 2002 session, the New Mexico State Legislature appropriated \$2.5 million to the New Mexico Department of Agriculture to remove salt cedar from the Rio Grande Basin. An additional \$600,000 was appropriated in 2003. As a result of these appropriations, a joint powers agreement was established for this project. During the fiscal year ending June 30, 2005, no funds from this joint powers agreement flowed through the District. The terms of the agreement are summarized as follows:

Date of agreement:	July 1, 2004
Participants:	New Mexico Association of Conservation Districts and the Ciudad, Coronado, East Rio Arriba, Santa Fe-Pojoaque and Valencia Soil and Water Conservation Districts
Responsible party for operations:	New Mexico Association of Conservation Districts
Description:	Upper Rio Grande Salt Cedar Project
Beginning and ending date of agreement:	July 1, 2004 to June 30, 2006
Total estimated amount:	\$633,333
Amount expended to date:	Not known
Audit responsibility:	New Mexico State University, New Mexico Department of Agriculture
Fiscal agent:	New Mexico Association of Conservation Districts
The government agency where revenues and expenditures are reported:	New Mexico State University



State of New Mexico

OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

Carl M. Baldwin, CPA, CFE
Deputy State Auditor

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

Mr. Tony Lucero, Chairperson
and Members of the Board of Supervisors
Coronado Soil and Water Conservation District
P. O. Box 69
Bernalillo, New Mexico 87004

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Coronado Soil and Water Conservation District (District) as of and for the year ended June 30, 2005 and have issued our report dated April 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and recommendations as item 05-01.

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

April 28, 2006

STATE OF NEW MEXICO
CORONADO SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2005

STATUS OF PRIOR YEAR AUDIT FINDINGS

None.

CURRENT YEAR AUDIT FINDINGS

Finding 05-01 – District failed to provide Non-Employee Service Provider a Form 1099.

Condition:

The individual who performed sub-division reviews for the district was paid \$750 during calendar year 2004. The district failed to give him a Form 1099-MISC for this amount.

Criteria:

The Internal Revenue Code and Regulations require that the District give all non-employee service providers a Form 1099-MISC if the amount received for services is in excess of \$600 in a calendar year.

Effect:

The District is not in compliance with the Internal Revenue Code and Regulations and may be subject to fines and penalties.

Cause:

The District was not aware of the requirements of the Internal Revenue Code and Regulations.

Recommendation:

The District should give all Non-employees contract workers who receive \$600 or more in a calendar year a Form 1099-MISC.

District's Response:

Coronado Soil and Water Conservation District will issue 1099's to all contractors who perform work for the District that exceeds \$599 per year. Coronado Soil and Water Conservation District was unaware of this policy/regulation and will abide by these rules in the future by issuing 1099's to each contractor/service person who performs work for the District exceeding \$599 per year.

STATE OF NEW MEXICO
CORONADO SOIL AND WATER CONSERVATION DISTRICT

EXIT CONFERENCE
JUNE 30, 2005

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 April 28, 2006, an exit conference was held at the District Office with Natalie Heffner, District Clerk and Reuben Montoya, Board Supervisor of the Coronado Soil and Water Conservation District. Representing the Office of the State Auditor was John R. Earnshaw, CPA, Audit Manager.