

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

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

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

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

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STATE OF NEW MEXICO  
CORONADO AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER  
JUNE 30, 2006

| <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          |
| Willie Escarcida            | Supervisor          |
| A.L. (Will) Ouellette       | Supervisor          |

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



# **OFFICE OF THE STATE AUDITOR**

**Hector H. Balderas**

## 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 budgetary comparison of the Coronado Soil and Water Conservation District (District) as of and for the year ended June 30, 2006, 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, 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 February 8, 2007 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  
February 8, 2007

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

|                            | Governmental<br>Activities |
|----------------------------|----------------------------|
| <b>Assets</b>              |                            |
| Cash                       | \$ 62,758                  |
| Capital assets, net        | -                          |
| Total assets               | 62,758                     |
| <b>Liabilities</b>         |                            |
| Accounts payable           | 1,453                      |
| Deferred revenue           | 1,427                      |
| Total liabilities          | 2,880                      |
| <b>Net Assets</b>          |                            |
| Invested in capital assets | -                          |
| Unrestricted               | 59,878                     |
| Total net assets           | \$ 59,878                  |

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, 2006

Exhibit 2

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>Program Expenses:</b>                                   |                            |
| Conservation:  |                            |
| Administrative services                                    | \$ 4,076                   |
| Travel   | 1,063                      |
| Bonding  | 250                        |
| Office supplies and expenses                               | 947                        |
| Advertising/legal notices                                  | 183                        |
| Education and information                                  | 347                        |
| Dues and subscriptions                                     | 1,100                      |
| Subdivision reviews  | 1,783                      |
| Placitas Environmental Education Project                   | 6,450                      |
| Conservation projects                                      | 1,811                      |
| Newsletter   | 1,170                      |
| Miscellaneous  | 50                         |
| Depreciation   | 491                        |
| Total program expenses                                     | 19,721                     |
| <b>Program Revenues:</b>                                   |                            |
| Operating grant-<br>Placitas Environmental Education grant | 6,450                      |
| Charges for services -<br>Subdivision reviews              | 450                        |
| Sprayer rental   | 219                        |
| Total program revenues                                     | 7,119                      |
| Net program (expense) revenue                              | (12,602)                   |
| <b>General Revenues:</b>                                   |                            |
| State allocation   | 9,646                      |
| County grant   | 2,500                      |
| Interest income  | 1,191                      |
| Other  | 30                         |
| Total general revenues                                     | 13,367                     |
| Change in net assets                                       | 765                        |
| Net assets at beginning of year                            | 59,113                     |
| Net assets at end of year                                  | \$ 59,878                  |

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, 2006

|  | <u>General<br/>Fund</u> |
|--|-------------------------|
| <b>Assets</b>  |                         |
| Cash   | \$ 62,758               |
| Total assets   | <u>\$ 62,758</u>        |
| <b>Liabilities and fund balance</b>                          |                         |
| <b>Liabilities:</b>  |                         |
| Accounts payable   | \$ 1,453                |
| Deferred revenue   | 1,427                   |
| Total liabilities  | <u>2,880</u>            |
| <b>Fund balance:</b>   |                         |
| Unreserved, designated for subsequent<br>year's expenditures | -                       |
| Unreserved, undesignated                                     | 59,878                  |
| Total fund balance   | <u>59,878</u>           |
| Total liabilities and fund balance                           | <u>\$ 62,758</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, 2006

|  | <u>General Fund</u> |
|--|---------------------|
| <b>Revenues</b>                          |                     |
| State allocation                         | \$ 9,646            |
| County Grant                             | 2,500               |
| Placitas Education Grant                 | 6,450               |
| Sprayer rental                           | 219                 |
| Subdivision reviews                      | 450                 |
| Interest income                          | 1,191               |
| Miscellaneous                            | 30                  |
| <b>Total revenues</b>                    | <b>20,486</b>       |
| <b>Expenditures</b>                      |                     |
| Conservation:                            |                     |
| Current:                                 |                     |
| Administrative services                  | 4,076               |
| Travel                                   | 1,063               |
| Bonding                                  | 250                 |
| Office supplies and expenses             | 947                 |
| Advertising/legal notices                | 183                 |
| Education and information                | 347                 |
| Dues and subscriptions                   | 1,100               |
| Subdivision reviews                      | 1,783               |
| Placitas Environmental Education Project | 6,450               |
| Conservation projects                    | 1,811               |
| Newsletter                               | 1,170               |
| Miscellaneous                            | 50                  |
| <b>Total expenditures</b>                | <b>19,230</b>       |
| <b>Net change in fund balance</b>        | <b>1,256</b>        |
| <b>Fund balance beginning of year</b>    | <b>58,622</b>       |
| <b>Fund balance end of year</b>          | <b>\$ 59,878</b>    |

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, 2006

|  | General Fund       |                  |                  | Variance<br>Favorable<br>(Unfavorable) |
|--|--------------------|------------------|------------------|--|
|  | Original<br>Budget | Final<br>Budget  | Actual           |  |
| <b>Revenues</b>                          |                    |                  |                  |  |
| State Allocation                         | \$ 10,000          | \$ 10,000        | \$ 9,646         | \$ (354)                               |
| County Grant                             | 2,000              | 2,000            | 2,500            | 500                                    |
| Operating grant - NMDA                   | -                  | -                | -                | -                                      |
| Subdivision Reviews                      | 2,000              | 2,000            | 450              | (1,550)                                |
| Interest Income                          | 1,500              | 1,500            | 1,191            | (309)                                  |
| Placitas Education Conservation Project  | 5,000              | 5,000            | -                | (5,000)                                |
| Sprayer Rental and Miscellaneous         | 500                | 500              | 249              | (251)                                  |
| <b>Total revenues</b>                    | <u>21,000</u>      | <u>21,000</u>    | <u>\$ 14,036</u> | <u>\$ (6,964)</u>                      |
| Cash balance budgeted                    | 38,000             | 38,000           |                  |  |
| <b>Total revenues and cash</b>           | <u>\$ 59,000</u>   | <u>\$ 59,000</u> |                  |  |
| <b>Expenditures</b>                      |                    |                  |                  |  |
| <b>Current:</b>                          |                    |                  |                  |  |
| Administrative services                  | \$ 10,000          | \$ 10,000        | \$ 4,447         | \$ 5,553                               |
| Travel                                   | 3,000              | 3,000            | 1,088            | 1,912                                  |
| Bonding                                  | 600                | 600              | 250              | 350                                    |
| Office supplies and expenses             | 1,000              | 1,000            | 947              | 53                                     |
| Advertising/legal notices                | 1,050              | 1,050            | 183              | 867                                    |
| Education and information                | 1,500              | 1,500            | 347              | 1,153                                  |
| Dues and subscriptions                   | 1,500              | 1,500            | 1,100            | 400                                    |
| Conservation Project                     | 16,500             | 16,500           | 1,811            | 14,689                                 |
| Subdivision reviews                      | 2,500              | 2,500            | 342              | 2,158                                  |
| Placitas Environmental Education Project | 5,000              | 5,000            | 6,450            | (1,450)                                |
| Newsletter                               | 2,500              | 2,500            | 1,170            | 1,330                                  |
| Taxes                                    | -                  | -                | -                | -                                      |
| Watershed Maintenance                    | 13,650             | 13,650           | -                | 13,650                                 |
| Miscellaneous                            | 200                | 200              | 50               | 150                                    |
| <b>Total expenditures</b>                | <u>\$ 59,000</u>   | <u>\$ 59,000</u> | <u>\$ 18,185</u> | <u>\$ 40,815</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, 2006

**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). 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  
CORONADO 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) charges for services for subdivision reviews and equipment rentals and 2) operating grants for Placitas Environmental Education are restricted to meeting the operational requirements of this particular project. 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, 2006

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 \$5,000 and an estimated useful life of more than one year. The total amount spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the District values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized. 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 |

STATE OF NEW MEXICO  
CORONADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

3. Accounts Payable

The District's accounts payable represent routine monthly bills for services rendered and products purchased which are due at 6/30/06 but paid for after fiscal-year-end.

4. Compensated Absences

As of June 30, 2006, 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 three components – invested in capital assets, which is the cost of capital assets, net of accumulated depreciation, unrestricted net assets, and restricted net assets- wherein the constraints are placed on net asset use either by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provision or enabling legislation.

Fund balance as reported in Exhibit 3 represents assets less liabilities of the governmental fund. The general fund reports reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific use. Designations may be established to indicate tentative plans for resource utilization in a future period. The District had no restricted net assets or fund balance reservations, but does have \$34,000 of its fund balance that has been designated for subsequent year expenditures to balance the FY 07 budget.

**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's Board of Supervisors a proposed revenue and expenditure budget for the fiscal year beginning July 1.

STATE OF NEW MEXICO  
CORONADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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. 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<br>Fund  |
|-----------------------------------|------------------|
| Non-GAAP expenditures (Exhibit 5) | \$ 18,185        |
| Current Year Accounts Payable     | 1,453            |
| Prior Year Accounts Payable       | (408)            |
| GAAP expenditures (Exhibit 4)     | <u>\$ 19,230</u> |
| Non-GAAP revenues (Exhibit 5)     | \$ 14,036        |
| Current Year receivable           | -                |
| Deferred revenue earned in CY     | 6,450            |
| GAAP revenues (Exhibit 4)         | <u>\$ 20,486</u> |

**III. Detailed Notes on all Funds**

**A. Cash**

As of June 30, 2006, the District had a carrying amount of deposits of \$27,550. The bank balances of demand (checking) deposits were \$26,637 and \$1,053, respectively, which are held at the First Community Bank and Wells Fargo and are fully insured by FDIC depository insurance. As of June 30, 2006, the District had a carrying amount of investments totaling \$35,208 which consisted of 6 CD's with maturity dates ranging from September 23, 2007 to January 16, 2011. The CD's are on deposit with Wells Fargo Bank and are fully insured by FDIC insurance.



STATE OF NEW MEXICO  
CORONADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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

**B. Capital Assets**

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

|                                    | Balance<br>6/30/05 | Additions | Deletions | Balance<br>6/30/06 |
|------------------------------------|--------------------|-----------|-----------|--------------------|
| 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                 | 1,962              | 491       | -         | 2,453              |
| Farm Equipment                     | 2,000              | -         | -         | 2,000              |
| Total accumulated depreciation     | 3,962              | 491       | -         | 4,453              |
| Total Capital Assets, Net          | \$ 491             | \$ 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 \$1,050,000 for each wrongful act and \$1,050,000 for the policy aggregated. The District is required to obtain a corporate surety bond on behalf of persons responsible for District assets. The District currently maintains a \$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.

STATE OF NEW MEXICO  
CORONADO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**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**

The District's Secretary/Treasurer paid the District \$130 for rental of the sprayer during this fiscal year.

**E. 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) East Rio Arriba, Ciudad, Coronado, Valencia, Santa Fe Pojoaque and East Torrance entered into a Joint Powers Agreement with Claunch-Pinto SWCD for removal of salt cedar from the Upper Rio Grande Basin. As of February 8, 2007 Coronado SWCD had not received any appropriations under the Joint Powers Agreement and the amount if any they would receive had not yet been determined.



# **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. 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, 2006 and have issued our report dated February 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as item 06-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation

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to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is not considered to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 06-02.

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

*Office of the State Auditor*

OFFICE OF THE STATE AUDITOR

February 8, 2007

STATE OF NEW MEXICO  
CORONADO SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2006

STATUS OF PRIOR YEAR AUDIT FINDINGS

05-01 – District failed to provide Non-Employee Service Provider a Form 1099.  
Resolved and Not Repeated

CURRENT YEAR AUDIT FINDINGS

**06-01. Unrecorded Transactions**

Condition

During our audit of the cash and a review of the monthly financial reports, we noted the following:

- Two checks totaling \$70 were not included in the monthly financial report for the year.
- Interest amounts for two months were included in the financial report, but were not recorded in the check register, (i.e. general ledger).
- \$30 revenue was not recorded in the check register.

Criteria

GAAP requires complete recording of all transaction be recorded accurately and be appropriately classified for financial statement presentation.

Cause

Employee/Supervisor did not review the monthly financial reports and check register.

Effect

Undetected transactions could go undetected and cause a misstatement in the financial statements. There was no misstatement since the auditor's discovered and corrected the error prior to the preparation of the financial statements.

Recommendation

A Board member should carefully review invoices and account coding for accuracy.

STATE OF NEW MEXICO  
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SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2006

District's Response

The Program Administrator will make every effort to ensure all activities are recorded accurately and appropriately classified on the financial statements prepared. The Secretary/Treasurer will review the monthly reports prepared by the Program Administrator to help ensure invoices are recorded in the proper line items. Also, going forward from this date, the Program Administrator will record checks in the financial statements in the month they are written, even if the check has not cleared, to more accurately reflect the monthly balance in the checking account.

**Finding 06-02. Missing Supporting Documentation for Expenditures**

Condition

Of the 89 expenditures tested, there were three instances where no supporting documentation other than a payment voucher was provided to support the expenditures paid by the District. One purchase was a registration fee of \$150 for the NMAC conference and the other two were for moving expenses totaling \$60.

Criteria

Good accounting practices and State Law require that all expenditures of public money be supported by receipts to establish the propriety of the purchase. Section 6-6-3 NMSA 1978 requires a complete record of the transactions of the entity.

Effect

By not requiring receipts and signed statements, the District may be expending public funds for items that are not valid, do not have a public purpose, or weren't received.

Cause

The Board of Supervisors failed to obtain invoices or receipts from persons that were reimbursed for providing a service to the District.

STATE OF NEW MEXICO  
CORONADO SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2006

Recommendation

The District should not approve or make a payment until the required supporting documentation is obtained. The agency should also certify that the goods and services were received prior to payment.

District's Response

The Board of Supervisors will not issue payment to anyone without the proper invoice/documentation for work or services provided to the Coronado Soil and Water Conservation District. The District will not approve or make payment to anyone until the required supporting invoice is received.

STATE OF NEW MEXICO  
CORONADO 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 February 12, 2007, an exit conference was held at First Community Bank with Natalie Heffner, District Clerk and Reuben Montoya, Secretary/Treasurer of the Coronado Soil and Water Conservation District. Representing the Office of the State Auditor was Stephanie Manzanares, Audit Staff.