

**State of New Mexico**  
**OFFICE OF THE STATE AUDITOR**

STATE OF NEW MEXICO

CUBA

SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2005

(With Independent Auditor's Report Thereon)



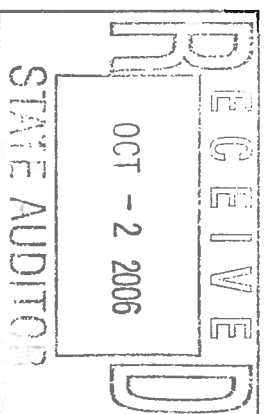
**Domingo P. Martinez, CGFM**  
**State Auditor**

STATE OF NEW MEXICO  
CUBA SOIL AND WATER CONSERVATION DISTRICT

**STATE AUDITOR**  
**STATE OF NEW MEXICO**  
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JUNE 30, 2005

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STATE OF NEW MEXICO  
CUBA SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER  
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
Steve Lucero	Chairman
James Montoya	Vice-Chairman
Don Walker	Secretary/Treasurer
Emmett Cart	Supervisor
Betty Jane Curry	Supervisor
Timothy Johnson	Supervisor
L. D. Schmitz	Supervisor
<u>District Personnel</u>	<u>Title</u>
Peggy Ohler	District Clerk
Glenn Barber	Program Coordinator
Julian Sanchez	Weed Technician



# 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. Steve Lucero, Chairperson  
and Members of the Board of Supervisors  
Cuba Soil and Water Conservation District  
P. O. Box 250  
Cuba, New Mexico 87013

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

2113 Warner Circle, Santa Fe, New Mexico 87505-5499  
(505) 827-3500 (800) 432-5517 Fax (505) 827-3512  
<http://www.saonm.org>

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 19, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Office of the State Auditor*

OFFICE OF THE STATE AUDITOR  
April 19, 2006

STATE OF NEW MEXICO  
 CUBA SOIL & WATER CONSERVATION DISTRICT  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2005

Exhibit 1

	Governmental Activities
<b>Assets</b>	
Cash	\$ 86,081
Accounts receivables	78,358
Inventory	9,138
Capital assets, net of	8,112
<b>Total assets</b>	<b>181,689</b>
<b>Liabilities</b>	
Accounts payable	14,046
Accrued payroll	893
Compensated absences	936
<b>Total liabilities</b>	<b>15,875</b>
<b>Net Assets</b>	
Invested in capital assets	8,112
Unrestricted	157,702
<b>Total net assets</b>	<b>\$ 165,814</b>

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

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

	Governmental Activates
<b>Program Expenses:</b>	
Conservation:	
Conservation Projects	\$ 110,757
Conservation Education	5,241
Forestry Camp Fund Expenses	16,636
Weed Program	3,054
Rio Puerco Project	874
Personnel Services	62,606
Administrative	13,073
Operational	11,370
Service Charge	10
Depreciation	3,111
Total program expenses	226,732
<b>Program Revenues:</b>	
BLM grant	39,099
Rio Puerco grant	15,500
Donations/tuition - forestry	8,923
Registration - forestry	940
Rio Puerco Project management grant	106,415
Other	6,599
Total program revenues	177,476
Net program (expense) revenue	(49,256)
<b>General Revenues:</b>	
NMDA allotment	9,775
Property Taxes	87,402
Interest	124
Total general revenues	97,301
Change in net assets	48,045
Net assets at beginning of year	117,769
Net assets at end of year	\$ 165,814

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

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

		General Fund
<b>Assets</b>		
Cash	\$	86,081
Accounts receivable		78,358
Inventory		9,138
<b>Total assets</b>	<b>\$</b>	<b><u>173,577</u></b>
<b>Liabilities and fund balance</b>		
<b>Liabilities:</b>		
Accounts payable	\$	14,046
Accrued payroll		893
<b>Total liabilities</b>		<b><u>14,939</u></b>
<b>Fund balance:</b>		
Reserved for Forest Camp		8,000
Reserved for Forest Camp Inventory		388
Reserved for Operational Inventory		8,750
Reserved for Scholarship		7,110
Unreserved, undesignated		<u>134,390</u>
<b>Total fund balance</b>		<b><u>158,638</u></b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b><u><u>173,577</u></u></b>

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



STATE OF NEW MEXICO  
CUBA SOIL & WATER CONSERVATION DISTRICT  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Fund Balance - Balance Sheet (Exhibit 3)	\$ 158,638
Capital assets, net of accumulated depreciation as of 6/30/05	8,112

Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:

Compensated absences	<u>(936)</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u>\$ 165,814</u>

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

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

Exhibit 4

	General Fund
<b>Revenues</b>	
State allotment	\$ 9,775
Property taxes - Sandoval County	58,154
Property taxes - Rio Arriba County	29,247
Weed Program Grant	39,099
Other-Rent/office	6,599
Rio Puerco Project grant	15,500
Donations/tuition-forestry	8,923
Rio Puerco management grant	106,415
Interest income	124
Registration - forestry	940
<b>Total revenues</b>	<b>274,776</b>
<b>Expenditures</b>	
Conservation:	
Current:	
Conservation projects	110,757
Forestry camp	16,636
Administration	13,073
Rio Puerco Project	874
Operational expenses	11,370
Conservation education	5,241
Personnel services	63,060
Weed program	3,054
Service charge	10
<b>Total expenditures</b>	<b>224,075</b>
Net change in fund balance	50,701
Fund balance beginning of year	107,937
Fund balance end of year	\$ 158,638

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



STATE OF NEW MEXICO  
 CUBA 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			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
State allocation	\$ 9,700	\$ 9,700	\$ 9,775	\$ 75
Property taxes - Sandoval County	55,000	55,000	67,464	12,464
Property taxes - Rio Arriba County	28,000	28,000	36,421	8,421
Other-rent/phone	-	-	3,312	3,312
Rio Puerco management grant	144,000	144,000	96,451	(47,549)
BLM grant	38,000	38,000	-	(38,000)
Interest income	150	150	88	(62)
Rio Puerco Project grant	15,500	15,500	15,500	-
Donations/Tuition - forestry	9,000	9,000	9,173	173
Registrations-forestry	1,500	1,500	1,080	(420)
Sales-Forestry	300	300	-	(300)
Grant administration	3,100	3,100	-	(3,100)
County	5,000	5,000	-	(5,000)
Sales-scholarship fund	500	500	-	(500)
Interest-scholarship fund	50	50	36	(14)
<b>Total revenues</b>	<b>309,800</b>	<b>309,800</b>	<b>\$ 239,300</b>	<b>\$ (70,500)</b>
Cash balance budgeted	20,595	20,595		
<b>Total revenues and cash balance budgeted</b>	<b>\$ 330,395</b>	<b>\$ 330,395</b>		
<b>Expenditures</b>				
Conservation projects	\$ 173,500	\$ 173,500	\$ 101,882	\$ 71,618
Forestry camp expense	12,530	12,530	16,002	(3,472)
Regional water planning expense	10,000	10,000	-	10,000
Weed program	21,200	21,200	3,054	18,146
Rio Puerco project expenses	11,695	11,695	874	10,821
Outdoor classroom	3,800	3,800	-	3,800
Conservation education	5,000	5,000	5,241	(241)
Personnel services	67,460	67,460	63,043	4,417
Administrative expense	12,250	12,250	9,653	2,597
Operational expense	10,460	10,460	11,399	(939)
Service charge-scholarships	-	-	10	(10)
Scholarship fund	2,500	2,500	-	2,500
<b>Total expenditures</b>	<b>\$ 330,395</b>	<b>\$ 330,395</b>	<b>\$ 211,158</b>	<b>\$ 119,237</b>

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

STATE OF NEW MEXICO  
CUBA SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

**I. Summary of Significant Accounting Policies**  
**A. Reporting Entity**

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

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

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

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

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, 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  
CUBA 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 customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment such as tree sales and rehabilitation services, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if any, are recorded only when payment is due.

Property taxes, grants, and interest associated with the current fiscal period is 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.

STATE OF NEW MEXICO  
CUBA SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

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

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

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

**D. Assets, Liabilities, Net Assets and Fund Balance**

**1. Cash**

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 government, if applicable, are reported at fair value.

**2. Receivables**

Property taxes attach an enforceable lien as of January 1. Taxes are payable in equal semi-annual installments on November 10 and April 10 of the subsequent year. The taxes become delinquent thirty days after the due date. The taxes are collected by the Sandoval County and Rio Arriba Treasurer and are remitted to the District in the month following collection.

**3. Restricted Assets**

Certain proceeds, such as grants for soil and water conservation, are classified as restricted assets on the balance sheet because their use is limited by applicable grant agreements.

**4. 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 \$1,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide

STATE OF NEW MEXICO  
CUBA SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

financial statements. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized. The District does not own infrastructure that is required to be capitalized and depreciated under GASB Statement 34.

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

Portable Building	10 years
Vehicles	3 years
Computer equipment	5 years
Computer software	5 years
Furniture	5 years
Kiosk	5 years

5. 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 4 hours per pay period. Employees may not carry more than 96 hours forward from one calendar year to the next, prior to June 22, 1990. Employees hired after November 12, 2003 accrue leave at 3.75 hours per period. Employees may not carry more than 80 hours forward from one calendar year to the next.

6. Net Assets and Fund Balance

The difference between the District's assets and liabilities is its net assets. The District's net assets consists 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 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 currently has reservations for forest camp, forest camp inventory, operational inventory and scholarships.



STATE OF NEW MEXICO  
 CUBA SOIL AND WATER CONSERVATION DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2005

**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.

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

	General Fund
Non-GAAP revenues (Exhibit 5)	\$ 239,300
Prior year receivables	(42,882)
Current year receivables	78,358
GAAP revenues (Exhibit 4)	<u>\$ 274,776</u>
Non-GAAP expenditures (Exhibit 5)	\$ 211,158
Prior year payable	(2,022)
Current year payable	14,939
GAAP expenditures (Exhibit 4)	<u>\$ 224,075</u>

STATE OF NEW MEXICO  
 CUBA SOIL AND WATER CONSERVATION DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2005

**III. Detailed Notes on all Funds**

**A. Cash**

As of June 30, 2005, the District had a carrying amount of deposits of \$86,081. The bank balances for deposits was \$106,654. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$20,573. The total bank balance of \$106,654 consisted of the following:

<u>Wells Fargo Bank</u>	\$ 90,672
Demand deposits	\$ 90,672
Less: FDIC coverage	(90,672)
Amount uninsured	<u>\$ - 0 -</u>
<u>Wells Fargo Bank</u>	\$ 3,793
Certificate of Deposit	\$ 3,793
Less: FDIC coverage	(3,793)
Amount uninsured	<u>\$ - 0 -</u>
<u>Bank of the West</u>	\$ 5,000
Certificate of Deposit	\$ 5,000
Less: FDIC coverage	(5,000)
Amount uninsured	<u>\$ - 0 -</u>
<u>Cuba Credit Union</u>	\$ 7,189
Certificate of Deposit	\$ 7,189
Less: FDIC coverage	(7,189)
Amount uninsured	<u><u>\$ - 0 -</u></u>

STATE OF NEW MEXICO  
CUBA SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

**B. Receivables**

Accounts receivable at year-end totaled \$78,358 and was owed to the District for the following (all were considered to be fully collectible):

Rio Arriba County – Property taxes	\$ 343
Sandoval County – Property taxes	1,466
NRCS-Reimbursement	3,288
NMACD	3,488
Weed Program	39,099
Rio Puerco Project	15,500
Rio Puerco grant	<u>15,174</u>
Total	<u>\$78,358</u>

**C. Capital Assets**

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

Description	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Portable Building	\$3,020	\$-	\$-	\$3,020
Computer	3,339	-	-	3,339
Equipment	1,500	-	-	1,500
Furniture	1,300	-	-	1,300
Vehicles	7,040	-	-	7,040
Land Health Kiosk	16,199	-	-	16,199
Total cost				
Less accumulated				
Depreciation for:				
Portable Building	(1,032)	(302)	-	(1,334)
Computer Equipment	(2,672)	(668)	-	(3,340)
Furniture	(1,200)	(300)	-	(1,500)
Vehicles	-72	(433)	-	(505)
Land Health Kiosk	-	(1,408)	-	(1,408)
Total accumulated				
depreciation	(4,976)	(3,111)	-	(8,087)
Total Capital Assets, Net	<u>\$(11,223)</u>	<u>\$(3,111)</u>	<u>\$-</u>	<u>\$8,112</u>

STATE OF NEW MEXICO  
 CUBA SOIL AND WATER CONSERVATION DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2005

**D. Compensated Absences**

Changes in Compensated Absences

Long-term debt activity for the year ended June 30, 2005 was as follows:

	Balance 6/30/04	Increases	Decreases	Balance 6/30/05	Amount due within 1 year
Compensated absences	\$ 1,392	\$ 4,635	\$ (5,091)	\$ 936	\$ 936
Totals	<u>\$ 1,392</u>	<u>\$ 4,635</u>	<u>\$ (5,091)</u>	<u>\$ 936</u>	<u>\$ 936</u>

Compensated absences are generally liquidated by the general fund.

**IV. Other Information**

**A. Employee Retirement Benefits**

*Plan Description.* Substantially all of the District's full time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides retirement, disability and survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

*Funding Policy.* Plan members are required to contribute 7% of their gross salary. The District is required to contribute 7% of the gross covered salary. The contribution requirements of plan members and the District are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the years ended June 30, 2005, 2004, and 2003 are \$1,572, \$1,582 and \$1,581 respectively, equal to the amount of required contributions each year.

STATE OF NEW MEXICO  
CUBA SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

**B. Post-Employment Benefits**

The District does not offer a deferred compensation plan or retirement health benefit plan to its employees.

**C. Related Party Transactions**

The District Clerk is the daughter of a member of the Board of Supervisors. Her original hiring and all subsequent payroll rate adjustments have been approved by the entire Board of Supervisors. The District Clerk's son was paid for helping with Forestry Camp-mileage only, putting up signs, getting supplies in Cuba and hauling luggage.

**D. 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 \$5,000 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

## 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. Steve Lucero, Chairperson  
and Members of the Board of Supervisors  
Cuba Soil and Water Conservation District  
P.O. Box 250  
Clayton, New Mexico 87013

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparisons of the Cuba Soil and Water Conservation District (District) as of and for the year ended June 30, 2005 and have issued our report dated April 19, 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. 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 recommendations as items 04-1 and 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely

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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 conditions described above are not considered 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 19, 2006

STATE OF NEW MEXICO  
CUBA SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2005

STATUS OF PRIOR YEAR AUDIT FINDINGS

04-01. Incorrect Reporting to the Department of Finance and Administration.-Repeated

CURRENT YEAR AUDIT FINDINGS

**04-01. Incorrect reporting to the Department of Finance and Administration**

Condition

The amount of total net withdrawals and net deposits per bank statements, and the total expenditures and revenue per the general ledger and reports to the Department of Finance and Administration (DFA) do not agree. The general ledger and DFA reports have been understated by a net amount of \$2,783.75 for both expenditures and revenues.

Criteria

Operations Handbook for Soil and Water Conservation Districts, State of New Mexico; Section 5, Financial Records

Effect

Because of the understated expenditures and revenue, it is difficult to determine if line item expenditures and revenues were within or over the budget.

Cause

In some instances, the revenue is recorded in the general ledger as a negative expense rather than revenue.

Recommendation

The District needs to stop the practice of recording revenue as a negative expense. Considering the volume of transactions, it is recommended that accounting software such as Quick Books be considered as an effective tool to maintain the bookkeeping of the District.

Management's Response

District will work toward correcting this finding.



STATE OF NEW MEXICO  
CUBA SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2005

**Finding 05-01: Revenues were not properly classified in the general ledger**

Condition

A material \$15,500 cash receipt was incorrectly classified as a reimbursement for the Rio Puerco Management Committee Grant in the general ledger.

Criteria

Generally acceptable accounting principles require the proper classification of all transactions.

Effect

The revenues for the Rio Puerco Management Committee Grant were overstated by \$15,500 and the revenues for the Rio Puerco project were understated by this amount.

Cause

Clerical error made by the District clerk.

Recommendation

The District should ensure that all revenues are properly classified in the general ledger.

Management's Response

The District will correct this finding.

STATE OF NEW MEXICO  
CUBA 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 19, 2006 an exit conference was held at the District Office with Peggy Ohler, District Clerk and Timothy Johnson, Supervisor of the Cuba Water Conservation District. Representing the Office of the State Auditor was Blanca Trujillo, Senior Auditor.