

State of New Mexico
OFFICE OF THE STATE AUDITOR

STATE OF NEW MEXICO

HAGERMAN-DEXTER
SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2005

(With Independent Auditor's Report Thereon)

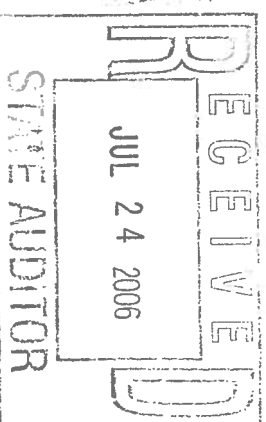


Domingo P. Martinez, CGFM
State Auditor

8021

STATE OF NEW MEXICO
HAGERMAN-DEXTER SOIL AND WATER CONSERVATION DISTRICT
TABLE OF CONTENTS
JUNE 30, 2005

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents	i	i
Official Roster	ii	ii
FINANCIAL SECTION		
Independent Auditor's Report	1	1
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	3
Statement of Activities	2	4
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	5
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets		6
Statement of Revenues, Expenditures and Changes In Fund Balance – Governmental Funds	4	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds to the Statement of Activities		8
Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	5	9
Notes to the Financial Statements		10
OTHER REPORTS		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		17
Schedule of Findings and Recommendations		19
Exit Conference		23



STATE OF NEW MEXICO
HAGERMAN-DEXTER AND WATER CONSERVATION DISTRICT
OFFICIAL ROSTER
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
Ray Miles	Chairperson
James Freeiland	Vice-Chairperson
Greg Krantz	Secretary/Treasurer
David Sterrett	Supervisor
Stuart Bogle	Supervisor

<u>District Personnel</u>	<u>Title</u>
Liz Wilson	District Clerk



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. Ray Miles, Chairperson
and Members of the Board of Supervisors
Hagerman-Dexter Soil and Water Conservation District
P.O. Drawer H
Hagerman, New Mexico 88232

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Hagerman-Dexter 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.saoonm.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 March 2, 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

March 2, 2006

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

Exhibit 1

	Governmental Activities
Assets	
Cash	\$ 69,099
Taxes receivable	119
Capital assets, net	23,875
Total assets	93,093
Liabilities	
Accounts Payable	444
Total liabilities	444
Net Assets	
Invested in capital assets	23,875
Unrestricted	68,774
Total net assets	\$ 92,649

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

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

Exhibit 2

	Governmental Activities
Program Expenses:	
Conservation:	\$
Salary	926
Payroll Taxes	1,241
Travel	1,791
Building	2,488
Office Supplies	796
Postage	163
Annual Meeting	660
Publications	71
Dues & Subscriptions	750
Bond & Insurance	300
Education	963
Cost Share	7,000
Grounds Maintenance	450
Utilities	1,745
Property Taxes	134
Depreciation	3,085
Total program expenses	22,563
Program Revenues:	
Charges for goods and services	-
Total program revenues	-
Net program (expense) revenue	(22,563)
General Revenues:	
NMDA allotment	9,774
Property taxes	16,611
Interest	471
Miscellaneous	51
Total general revenues	26,907
Change in net assets	4,344
Net assets at beginning of year	88,305
Net assets at end of year	\$ 92,649

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

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

Exhibit 3

	General Fund
Assets	
Cash	\$ 69,099
Property taxes receivable	119
Total assets	\$ 69,218
Liabilities and fund balance	
Liabilities:	
Accounts Payable	\$ 444
Total liabilities	444
Fund balance:	
Unreserved, designated for subsequent year's expenditures	30,850
Unreserved, undesignated	37,924
Total fund balance	68,774
Total liabilities and fund balance	\$ 69,218

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

STATE OF NEW MEXICO
HAGERMAN-DEXTER 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)	\$ 68,774
Capital assets, net of accumulated depreciation	<u>23,875</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 92,649</u></u>

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

STATE OF NEW MEXICO
 HAGERMAN-DEXTER 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	\$ 9,774
Property taxes	16,611
Interest	471
Miscellaneous	51
	<hr/>
Total revenues	26,907
	<hr/>
Expenditures	
Conservation:	
Current:	
Salary	926
Payroll Taxes	1,241
Travel	1,791
Building	2,488
Office Supplies	796
Postage	163
Annual meeting	660
Publications	71
Dues & Subscriptions	750
Bond & Insurance	300
Education	963
Cost Share	7,000
Grounds Maintenance	450
Utilities	1,745
Property taxes	134
	<hr/>
Total expenditures	19,478
	<hr/>
Net change in fund balance	7,429
	<hr/>
Fund balance beginning of year	61,345
	<hr/>
Fund balance end of year	\$ 68,774
	<hr/> <hr/>

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

STATE OF NEW MEXICO
HAGERMAN-DEXTER 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

Exhibit 5

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
State allocation	\$ 8,650	\$ 8,650	\$ 9,775	\$ 1,125
Property taxes	10,000	10,000	18,976	8,976
Interest	-	-	471	471
Miscellaneous	500	500	50	(450)
Total revenues	<u>\$ 19,150</u>	<u>\$ 19,150</u>	<u>\$ 29,272</u>	<u>\$ 10,122</u>
Cash balance budgeted	30,850	30,850		
Total revenues and cash	<u>\$ 50,000</u>	<u>\$ 50,000</u>		
Expenditures				
Current:				
Personal services/ Taxes	\$ 3,000	\$ 3,000	\$ 2,050	\$ 950
Travel	3,200	3,200	1,791	1,409
Building	500	500	2,938	(2,438)
Office Supplies/postage	650	850	958	(108)
Annual meeting and election	700	860	660	200
Insurance/surety bond	50	50	300	(250)
Utilities	1,700	1,700	1,598	102
Community/Education projects	600	600	963	(363)
Dues and subscriptions	1,000	1,000	750	250
Property taxes	150	150	134	16
Technical assistance	100	100	-	100
Publications	300	300	71	229
Miscellaneous	7,850	7,490	-	7,490
Equipment	200	200	-	200
Cost Share	30,000	30,000	7,000	23,000
Total expenditures	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 19,213</u>	<u>\$ 30,787</u>

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

STATE OF NEW MEXICO
HAGERMAN-DEXTER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Hagerman-Dexter 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 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 business-type or fiduciary activities.

STATE OF NEW MEXICO
HAGERMAN-DEXTER 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. The District received no revenues for goods and services or grants and contributions during this fiscal year. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The District is unable, however, to fully implement GASB Statement 33 since the County Treasurer is unable to provide the District with an amount that represents its share of the uncollected delinquent property taxes as of the date of the balance sheet. 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:

STATE OF NEW MEXICO
HAGERMAN-DEXTER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

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

D. Assets, Liabilities, Net Assets and Fund Balance

1. Cash

The District's cash is considered to be demand deposits.

2. Capital Assets

Capital assets, which include a building, farm equipment and computer 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. The District had no infrastructure required to be capitalized under GASB Statement No. 34.

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

Buildings	39 years
Farm equipment	7 years
Computer equipment	5 years

STATE OF NEW MEXICO
HAGERMAN-DEXTER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

3. Compensated Absences
- As of June 30, 2005, the District employee does not earn any vacation or sick leave.
4. Net Assets and Fund Balance

The difference between the District's assets and liabilities is its net assets. The District's net assets consist of two components – invested in capital assets, which is the cost of capital assets, net of accumulated depreciation and unrestricted net assets. In the fund financial statements, governmental funds report 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 \$30,850 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.

The legal level at which actual expenditures may not exceed budgeted expenditures is at the total fund level. The Board can revise its budget with the approval of DFA-LGD. Encumbrance accounting is not utilized by the District.

STATE OF NEW MEXICO
HAGERMAN-DEXTER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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

	General Fund
Non-GAAP revenues (Exhibit 5)	\$ 29,272
Prior year receivables	(2,484)
Current year receivables	119
GAAP revenues (Exhibit 4)	<u>\$ 26,907</u>
Non-GAAP expenditures (Exhibit 5)	\$ 19,213
Prior year payroll accrual	(179)
Current year accounts payable	444
GAAP expenditures (Exhibit 4)	<u>\$ 19,478</u>

III. Detailed Notes on all Funds

A. Cash

As of June 30, 2005, the District had a carrying amount of deposits of \$69,099. The bank balances of demand (checking) and time deposits (savings) were \$252 and \$68,947, respectively, which are held at the First National Bank of Artesia and are fully insured by FDIC depository insurance. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks totaling \$100.

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, the District's bank deposits were fully insured by FDIC. Thus, 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
HAGERMAN-DEXTER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

	Balance 6/30/04	Additions	Deletions	Balance 6/30/05
<u>Governmental Activities</u>				
Assets not being depreciated:				
Land	\$ 2,500	\$ -	\$ -	\$ 2,500
Total Capital Assets not being depreciated	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
Assets being depreciated:				
Building	20,000	-	-	20,000
Computer equipment	1,070			1,070
Farm Equipment	20,155			20,155
Totals at historical cost	<u>41,225</u>	<u>-</u>	<u>-</u>	<u>41,225</u>
Less accumulated depreciation for:				
Building	10,682	513	-	11,195
Computer equipment	1,070			1,070
Farm Equipment	5,013	2,572	-	7,585
Total accumulated depreciation	<u>(16,765)</u>	<u>(3,085)</u>	<u>-</u>	<u>(19,850)</u>
Total Capital Assets, Net	<u>\$ 26,960</u>	<u>\$ (3,085)</u>	<u>\$ -</u>	<u>\$ 23,875</u>

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 \$5,000 fidelity bond on its Secretary/Treasurer. The District building and equipment is insured for \$46,280. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

STATE OF NEW MEXICO
HAGERMAN-DEXTER SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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. Joint Powers Agreement – Pecos River Salt Cedar Control 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 Pecos River Basin. As a result of this appropriation, a joint powers agreement was established for this project. The District did not expend and funds pursuant to this Joint Powers Agreement during this fiscal year. The terms of the agreement are summarized as follows:

Date of agreement:	June 24, 2002
Participants:	New Mexico Association of Conservation Districts and the Carlsbad, Chaves, Central Valley, Hagerman-Dexter, DeBaca, Penasco, Guadalupe, Upper Hondo, and Tierra Y Montes Soil and Water Conservation Districts
Responsible party for operations:	Carlsbad Soil and Water Conservation District
Description:	Pecos River Salt Cedar Control Project
Beginning and ending date of agreement:	July 1, 2002 to June 30, 2006
Total estimated amount:	\$4,366,666`
Amount expended to date:	\$3,920,862
Audit responsibility:	New Mexico State University, New Mexico Department of Agriculture
Fiscal agent:	Carlsbad Soil and Water Conservation District
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. Ray Miles, Chairperson
and Members of the Board of Supervisors
Hagerman-Dexter Soil and Water Conservation District
P. O. Drawer H
Hagerman, New Mexico 88232

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Hagerman-Dexter Soil and Water Conservation District (District) as of and for the year ended June 30, 2005 and have issued our report dated March 2, 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 item 04-2 and 05-2.

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

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

period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions described above are not 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items 05-1, 05-2 and 05-3.

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
March 2, 2006

STATE OF NEW MEXICO
HAGERMAN-DEXTER SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2005

STATUS OF PRIOR YEAR AUDIT FINDINGS

- 04-1. No Annual Inventory of Capital Assets – Resolved
- 04-2. Unrecorded Date of Cash Receipts – Repeated and Modified

CURRENT YEAR AUDIT FINDINGS

04-2. UNRECORDED DATE OF CASH RECEIPTS – (Repeated and Modified)

Condition

The District did not previously record the date it receives property tax revenues from Chaves County. The District began to record the receipt date for property taxes in the 2005 fiscal year. There were eight out of fourteen items tested that did not contain a record of the date received.

Criteria

It is good accounting practice to record the date all revenues are received.

Effect

Without the received date, it was not possible to determine if receipts were deposited within 24 hours as required by state law, 6-10-3 NMSA 1978, and recorded in accordance with generally accepted accounting principles.

Cause

The District was not aware that deposits had to be dated when received.

Recommendation

The District should record the date it receives all revenues in a general ledger. Also, all revenue receipts should be deposited within 24 hours of receipt in accordance with state law.

District's Response

The recording of cash receipts has been corrected for the new fiscal year.

STATE OF NEW MEXICO
HAGERMAN-DEXTER SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2005

**05-1. PAYMENT FOR GOODS NOT AUTHORIZED BY THE STATE
PROCUREMENT CODE**

Condition

Out of thirty-six cash disbursements tested, one paid \$49 for alcoholic beverages at the District's annual meeting in December.

Criteria

State Law, Section 6-5-6 NMSA 1978, forbids the purchase of alcoholic beverages with state money.

Effect

The District is in violation of Section 6-5-6 NMSA 1978.

Cause

The District held there annual meeting and were not aware of the violation.

Recommendation

We recommend that all alcoholic beverages be purchased by the individuals in attendance and not with District monies.

District's Response

There will not be any more charges for alcoholic beverages paid by the District.

STATE OF NEW MEXICO
HAGERMAN-DEXTER SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2005

05-2. LACK OF SUPPORTING DOCUMENTATION FOR EXPENDITURES

Condition

A total of thirty-six cash disbursements were tested. The disbursement of \$50 to Daniel Reed, a science fair participant, did not have an invoice or any other supporting documentation.

Criteria

Good accounting practices and the Local Government Finances statutes require that proper supporting documentation be kept on file to support all cash disbursements. Section 6-6-3 NMSA 1978 requires a complete record of the transactions of the entity.

Effect

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

Cause

The District did not obtain supporting documentation for the science fair award.

Recommendation

We recommend that all cash disbursements, when approved by the Board, have attached invoices or other appropriate supporting documentation. For the science fair award, the supporting documentation could be a copy of the minutes wherein the payment of the award was approved.

District's Response

The minutes will be attached for science fair winners.

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

**05-3. DISAPPEARANCE OF CAPITAL ASSET NOT REPORTED TO THE
STATE AUDITOR'S OFFICE**

#
when it disappeared

Condition

The District owned a sheep foot roller and trailer which disappeared from where they were being stored. These assets are presumed to be stolen as neither has been located. The District did not send the State Auditor notification of these assets' disappearance as required by state law.

Criteria

Section 13-6-1 and 13-6-2 NMSA 1978, Sale of Public Property statutes, states that written notification from the District to the State Auditor's Office is needed for all capital asset dispositions.

Effect

The District is in violation of Section 13-6-1 and 13-6-2 NMSA 1978, Sale of Public Property statutes.

Cause

The District was not aware they had to notify the State Auditor's Office of the disposition of capital assets.

Recommendation

The District should inform the State Auditor in writing of any disposal of capital assets. Also, ~~in the event that a computer is proposed for disposition, the District is required to "sanitize" all licensed software and any electronic media pertaining to the District.~~

District's Response

The District was not aware that the State had to be notified of property disposition. Notification will be given to the State Auditor's Office of all assets that are bought and disposed of.

STATE OF NEW MEXICO
HAGERMAN-DEXTER 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 March 2, 2006, an exit conference was held at the District Office with Greg Krantz, Secretary/Treasurer and Liz Wilson, District Clerk and of the Hagerman-Dexter Soil and Water Conservation District. Representing the Office of the State Auditor was Jessica Lucero, Senior Auditor.