

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

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

**FINANCIAL STATEMENTS**  
**Fiscal Year Ended June 30, 2005**

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



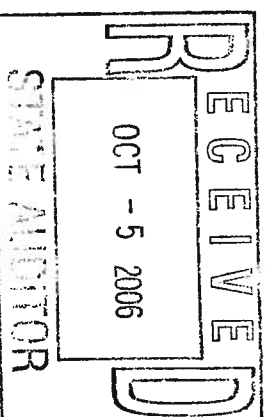
**Domingo P. Martinez, CGFM**  
**State Auditor**

2009

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STATE OF NEW MEXICO  
NORTHEASTERN SOIL AND WATER CONSERVATION DISTRICT  
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STATE OF NEW MEXICO  
NORTHEASTERN SOIL AND WATER CONSERVATION DISTRICT  
OFFICIAL ROSTER  
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
Justin Bennett	Chairperson
Brett Bannon	Vice-Chairperson
LeAnn Monroe	Secretary/Treasurer
Randy Podzemny	Member
Larry Mason	Member
<u>District Personnel</u>	<u>Title</u>
Shirley D. Wiseman	Administrative Assistant

STATE OF NEW MEXICO  
 NORTHEASTERN SOIL AND WATER CONSERVATION DISTRICT  
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STATE OF NEW MEXICO  
NORTHEASTERN SOIL AND WATER CONSERVATION DISTRICT  
OFFICIAL ROSTER  
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
Justin Bennett	Chairperson
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Shirley D. Wiseman	Administrative Assistant



# 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

Justin Bennett, Chairperson  
and Members of the Board of Supervisors  
Northeastern Soil and Water Conservation District  
20 North Second Street  
Clayton, New Mexico 87415

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

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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 15, 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 15, 2006

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

Exhibit 1

	Governmental Activities
<b>Assets</b>	
Cash and Investments	\$ 78,970
Interest Receivable	6
Accounts Receivable	2,625
Capital assets, net of depreciation	800
<b>Total assets</b>	<b>82,401</b>
<b>Liabilities</b>	
Account Payable	1,137
<b>Total liabilities</b>	<b>1,137</b>
<b>Net Assets</b>	
Invested in capital assets	800
Unrestricted	80,464
<b>Total net assets</b>	<b>\$ 81,264</b>

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



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

Exhibit 2

	Governmental Activities
<b>Program Expenses:</b>	
Conservation:	105
Advertising	\$ 1,232
Taxes	1,535
Mileage/Per Diem	1,162
Rent/Office Expense	929
Public Relations	48,258
Material/Supplies	528
Contract Labor	709
Awards	5,814
Grass Seed	1,605
Dues	788
Educational Aids	480
Insurance/Bonds	8,400
Payroll/Bonus	3,449
Meetings	15
Equipment Education	200
Depreciation expense	75,209
Total program expenses	<u>75,209</u>
<b>Program Revenues:</b>	
Conservation Material and Supply Sales	52,700
Seed Sales	7,323
Equipment Rental	150
Total program revenues	<u>60,173</u>
Net program (expense) revenue	<u>(15,036)</u>
<b>General Revenues:</b>	
State allocation	8,797
Interest	910
Total general revenues	<u>9,707</u>
Change in net assets	(5,329)
Net assets at beginning of year	<u>86,593</u>
Net assets at end of year	<u><u>\$ 81,264</u></u>

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

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

Exhibit 3

	General Fund
<b>Assets</b>	
Cash and Investments	\$ 78,970
Interest Receivable	6
Accounts Receivable	2,625
Total assets	\$ 81,601
<b>Liabilities and fund balance</b>	
Accounts Payable	\$ 1,137
Total liabilities	1,137
Fund balance:	
Unreserved, undesignated	80,464
Total fund balance	80,464
Total liabilities and fund balance	\$ 81,601

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

STATE OF NEW MEXICO  
NORTHEASTERN 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)	\$ 80,464
Capital assets, net of accumulated depreciation as of 6/30/05	<u>800</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 81,264</u></u>

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

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

	General Fund
<b>Revenues</b>	
State Allotment	\$ 8,797
Material & Supply Sales	52,700
Seed Sales	7,323
Equipment Rental	150
Interest	910
<b>Total revenues</b>	<b>69,880</b>
<b>Expenditures</b>	
Conservation:	
Advertising	105
Taxes	1,232
Mileage/Per Diem	1,535
Rent/Office Expense	1,162
Public Relations	929
Material/Supplies	48,258
Contract Labor	528
Awards	709
Grass Seed	5,815
Dues	1,605
Educational Aids	788
Insurance/Bonds	480
Payroll/Bonus	8,400
Meetings	3,449
Equipment Education	15
<b>Total expenditures</b>	<b>75,010</b>
<b>Net change in fund balance</b>	<b>(5,130)</b>
<b>Fund balance beginning of year</b>	<b>85,594</b>
<b>Fund balance end of year</b>	<b>\$ 80,464</b>

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

STATE OF NEW MEXICO  
NORTHEASTERN SOIL & WATER CONSERVATION DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Net change in fund balance - Governmental Funds (Exhibit 4)           \$ (5,130)

Amounts reported in the Statement of Activities are different because:

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

Depreciation expense	<u>(199)</u>
Change in net assets - Statement of Activities (Exhibit 2)	<u><u>\$ (5,329)</u></u>

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

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

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
State Allotment	\$ 9,500	\$ 9,500	\$ 8,797	\$ (703)
Material & Supply Sales	80,000	80,000	55,713	(24,287)
Seed Sales	10,000	10,000	6,649	(3,351)
Equipment Rental	1,500	1,500	150	(1,350)
Interest	1,000	1,000	958	(42)
<b>Total Revenues</b>	<u>\$ 102,000</u>	<u>\$ 102,000</u>	<u>\$ 72,267</u>	<u>\$ (29,733)</u>
<b>Expenditures</b>				
Advertising	\$ 575	\$ 575	\$ 105	\$ 470
Repairs	500	500	-	500
Utilities	-	-	-	-
Uncategorized	-	-	-	-
Taxes	5,000	5,000	1,261	3,739
Mileage/Per Diem	-	-	1,535	(1,535)
Rent/Office Expense	1,000	1,000	1,162	(162)
Public Relations	1,000	1,000	929	71
Material/Supplies	60,000	60,000	47,982	12,018
Contract Labor	-	-	528	(528)
Equipment Purchases	1,000	1,000	-	1,000
Awards	1,500	1,500	709	791
Grass Seed	7,500	7,500	5,814	1,686
Dues	2,000	2,000	1,605	395
Educational Aids	1,000	1,000	788	212
Insurance/Bonds	250	250	480	(230)
Payroll/Bonus	10,000	10,000	8,400	1,600
Meetings	7,000	7,000	3,449	3,551
Equipment	-	-	15	(15)
<b>Total Expenditures</b>	<u>\$ 98,325</u>	<u>\$ 98,325</u>	<u>\$ 74,762</u>	<u>\$ 23,563</u>

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

STATE OF NEW MEXICO  
NORTHEASTERN SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Northeastern 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). 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  
NORTHEASTERN 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, seed, and material sales and equipment rental, 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.

Separate financial statements are provided for governmental funds.

**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.

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:



STATE OF NEW MEXICO  
NORTHEASTERN 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 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 six 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. Compensated Absences

As of June 30, 2005, the District employee did not earn any annual or sick leave.

3. Capital Assets

Capital assets, which includes equipment is 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 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.

STATE OF NEW MEXICO  
NORTHEASTERN SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

Currently, the District does not own infrastructure that is required to be capitalized and depreciated under GASB Statement 34.

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

Farm equipment	10 years
Computer equipment	5 years
Computer software	5 years

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 currently has no reservation of fund balance.

## II. Stewardship, Compliance and Accountability

### A. Budgetary Information

The budget is prepared on a basis that differs from accounting principles generally accepted in the United States of America (GAAP). GAAP basis revenues and expenditures include accrued amounts. The revenues and expenditures reported in the budgetary comparisons are generally recorded on the cash basis. The District uses the following procedures to establish the budgeted amounts reflected in the budgetary comparisons:

1. Prior to April 1, the Budget Committee submits to the District Board of Supervisors a proposed revenue and expenditure budget for the fiscal year beginning July 1.
2. The Board reviews the budget proposal and makes any necessary adjustments.
3. Prior to June 1, the Board approves the budget by passing a resolution.
4. Prior to June 20, the approved budget is submitted to the State of New Mexico, Department of Finance and Administration, Local Government Division (DFA-LGD) for approval by the first Monday of September. The Board receives notice of the approved budget.

STATE OF NEW MEXICO  
NORTHEASTERN SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

The legal level at which actual expenditures may not exceed budgeted expenditures is at the total fund level. The Board can revise its budget with the approval of DFA-LGD. 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)	\$ 72,267	
Prior year receivables	(5,018)	
Current year receivables	<u>2,631</u>	
GAAP revenues (Exhibit 4)	<u>\$ 69,880</u>	
Non-GAAP expenditures (Exhibit 5)	\$ 74,762	
Prior year payables	(889)	
Current year payable	<u>1,137</u>	
GAAP expenditures (Exhibit 4)	<u>\$ 75,010</u>	

**III. Detailed Notes on all Funds**

**A. Cash**

As of June 30, 2005, the District had a carrying amount of deposits of \$78,970. The bank balances for deposits was \$81,355. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$2,385. The total bank balance of \$81,355 consisted of the following:

<u>Farmers &amp; Stockmen Bank</u>	
Demand deposits	\$ 24,630
Less: FDIC coverage	(24,630)
Amount uninsured	<u>\$ - 0 -</u>

<u>Farmers &amp; Stockmen Bank</u>	
Certificate of Deposit	\$ 21,598
Less: FDIC coverage	(21,598)
Amount uninsured	<u>\$ - 0 -</u>

STATE OF NEW MEXICO  
NORTHEASTERN SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

<u>First National Bank</u>	
Certificate of Deposit	\$ 35,127
Less: FDIC coverage	(35,127)
Amount uninsured	<u>\$ - 0 -</u>

**B. Accounts Receivable**

Accounts receivable consisted of following:

Interest receivable	\$ 6
Accounts receivables- seed sales/material/supplies	<u>2,625</u>
	<u>\$2,631</u>

All receivables are considered to be fully collectible.

**C. Capital Assets**

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

	<u>Balance</u> <u>6/30/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/05</u>
<b>Government Activities</b>				
Assets being depreciated:				
Computer equipment	\$ 3,000	\$ -	\$ -	\$ 3,000
Farm equipment	17,606	-	-	17,606
Totals at historical cost	<u>20,606</u>	<u>-</u>	<u>-</u>	<u>20,606</u>
Less accumulated depreciation:				
Computer equipment	(3,000)	-	-	(3,000)
Farm equipment	(16,606)	(200)	-	(16,806)
Total accumulated depreciation	<u>(19,606)</u>	<u>(200)</u>	<u>-</u>	<u>(19,806)</u>
Net capital assets	<u>\$ 1,000</u>	<u>\$ (200)</u>	<u>\$ -</u>	<u>\$ 800</u>

**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

STATE OF NEW MEXICO  
NORTHEASTERN SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

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*

Justin Bennett, Chairperson  
and Members of the Board of Supervisors  
Northeastern Soil and Water Conservation District  
20 North Second Street  
Clayton, New Mexico 87415

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Northeastern Soil and Water Conservation District (District) as of and for the year ended June 30, 2006 and have issued our report dated March 15, 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 05-01, 05-02, and 05-03.

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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(505) 476-3800 (800) 432-5517 Fax (505) 827-3512  
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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, of the reportable conditions described above, we did not consider any 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 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 item 05-01, 05-02, and 05-03.

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 15, 2006

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

STATUS OF PRIOR YEAR AUDIT FINDINGS

- 04-01. Payroll expenditures not always properly approved or correct-Resolved
- 04-02. Expenditures not always properly approved-Resolved
- 04-03. Deposits not made timely - Resolved

CURRENT YEAR AUDIT FINDINGS

Finding 05-01. Withheld tax payments processed incorrectly

Condition

The District withholds taxes from its employee's checks as required by law. The amounts withheld create a payable amount. The payable balance should be reduced when payments are made to the government agencies. The payable amount is not being reduced and the taxes paid are being expensed.

Criteria

Generally accepted accounting principles require that taxes payable be accounted for accurately.

Effect

The District has overstated its expenditures in its general ledger system and is at risk of over/underpaying its payroll taxes.

Cause

The District personnel have not been properly trained in the use of the payroll function of their accounting system.

Recommendation

The District should obtain training for its personnel in the use of its accounting system.



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

Management's Response

The District personnel will learn how to use the payroll function in its software.

Finding 05-02. Revenues were not properly classified

Condition

A review of all revenue entries into the general ledger revealed that twelve revenue entries totaling \$15,447 were misclassified and entered incorrectly into the general ledger.

Criteria

Generally accepted accounting principles require that revenues be recorded accurately into the general ledger.

Effect

Revenues were overstated for some classifications and understated for others.

Cause

The District employee was not properly trained on how to record revenues in the general ledger.

Recommendation

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

Management's Response

The finding will be corrected.

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

Finding 05-03. Inaccurate Cash Reconciliation and General Ledger

Condition

The District's general ledger and bank reconciliation for June 30, 2005 was inaccurate. Interest for a certificate of deposit had been erroneously posted to the operating account.

Criteria

Generally accepted accounting principles require accurate reconciliations from the bank statements to the general ledger for proper internal control.

Effect

Cash balances were not accurately reflected in the general ledger.

Cause

The District personnel have not been properly trained in the use of the QuickBooks software.

Recommendation

The District should obtain training for its personnel in the use of its accounting system.

Management's Response

The District will reconcile bank accounts accurately.

STATE OF NEW MEXICO  
NORTHEASTERN 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 15, 2006 an exit conference was held at the District Office with Shirley D. Wiseman, Administrative Assistant and Justin Bennett, Chairperson of the Northeastern Water Conservation District. Representing the Office of the State Auditor was Blanca Trujillo, Senior Auditor.