

State of New Mexico
OFFICE OF THE STATE AUDITOR

STATE OF NEW MEXICO

PENASCO

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

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STATE AUDITOR

STATE OF NEW MEXICO
PENASCO SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
Steve Barley	Chairperson
Hezzie Powell	Vice-Chairperson
M. F. (Murnie) Cauhape	Secretary/Treasurer
Catarino Varela	Supervisor
Sterling Hendricks	Supervisor
Tom W. Runyan	Supervisor
Sam Elkins	Supervisor
<u>District Personnel</u>	<u>Title</u>
Tammy Klein	District Manager



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. Steven W. Barley, Chairman
and Members of the Board of Supervisors
Penasco Soil and Water Conservation District
3105 West Main Street
Artesia, New Mexico 88210-3105

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

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

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

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

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determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 24, 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

February 24, 2006

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

Exhibit 1

	Governmental Activities
Assets	
Cash	\$ 51,406
Property taxes receivable	1,077
Reimbursements receivable	15,201
Interest receivable	25
Capital assets, net	9,180
Total assets	76,889
Liabilities	
Accounts payable	17,422
Accrued payroll	558
Total liabilities	17,980
Net Assets	
Invested in capital assets	9,180
Restricted for:	
Conservation projects	-
Unrestricted	49,729
Total net assets	\$ 58,909

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

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

Exhibit 2

	Governmental Activities
Program Expenses:	
Conservation:	
Salaries	\$ 27,558
Office supplies	255
Bonding	100
Public education	1,254
Travel & per diem	4,023
Meetings	171
Office building expenses	7,748
Office building supplies & maintenance	209
Hope community ditch project	80,439
Salt Cedar project	7,195
Depreciation	2,040
Total program expenses	130,992
Program Revenues:	
State operating grant-Hope project	49,900
State operating grant-Salt Cedar program	5,403
Total program revenues	55,303
Net program (expense) revenue	(75,689)
General Revenues:	
NMDA allotment	5,767
Property taxes	6,989
Reimbursements of shared expenses	27,628
Interest	126
Total general revenues	40,510
Change in net assets	(35,179)
Net assets at beginning of year	94,088
Net assets at end of year	\$ 58,909

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

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

Exhibit 3

	<u>General Fund</u>
Assets	
Cash	\$ 51,406
Property taxes receivable	1,077
Reimbursements receivable	15,201
Interest receivable	25
Total assets	<u>\$ 67,709</u>
Liabilities and fund balance	
Liabilities:	
Accounts payable	\$ 17,422
Accrued payroll	558
Total liabilities	<u>17,980</u>
Fund balance:	
Unreserved, undesignated	<u>49,729</u>
Total fund balance	<u>49,729</u>
Total liabilities and fund balance	<u>\$ 67,709</u>

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

STATE OF NEW MEXICO
PENASCO SOIL AND 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)	\$ 49,729
Capital assets, net of accumulated depreciation	<u>9,180</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 58,909</u></u>

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

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

Exhibit 4

	<u>General Fund</u>
Revenues	
State allocation	\$ 5,767
Property taxes	6,989
State operating grant-Hope project	49,900
State operating grant-Salt Cedar program	5,403
Interest	125
Reimbursements	27,628
Total revenues	95,812
Expenditures	
Conservation:	
Salt Cedar project	7,195
Hope community ditch project	80,438
Salaries	27,558
Office supplies	255
Bonding	100
Public education	1,254
Travel & per diem	4,023
Meetings	171
Office building expenses	7,748
Office building supplies & maintenance	209
	128,951
Net change in fund balance	(33,139)
Fund balance beginning of year	82,868
Fund balance end of year	\$ 49,729

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

STATE OF NEW MEXICO
PENASCO 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	\$ 7,500	\$ 5,760	\$ 5,767	\$ 7
Mill Levy	7,100	7,300	5,912	(1,388)
Windbreak trees	500	1,500	-	(1,500)
Brush control	150	150	-	(150)
State operating grant-Hope project	50,000	49,900	49,900	-
State operating grant-Salt Cedar program	5,000	6,000	5,403	(597)
Interest	-	-	99	99
Reimbursements	23,500	27,500	15,698	(11,802)
Total revenues	93,750	98,110	82,779	(15,331)
Cash balance budgeted	43,550	39,190	-	-
Total revenues and cash	<u>\$ 137,300</u>	<u>\$ 137,300</u>	<u>\$ 82,779</u>	<u>\$ (15,331)</u>
Expenditures				
Current:				
Salaries	\$ 25,000	\$ 30,000	\$ 27,000	\$ 3,000
Dues	1,200	1,100	-	1,100
Office supplies	250	250	255	(5)
Bonding	100	100	100	-
Election	100	50	-	50
Public education	1,500	1,500	1,104	396
Annual awards	150	150	-	150
Travel & per diem	3,500	3,500	3,327	173
Meetings	150	150	21	129
Equipment	1,000	150	-	150
Advertising & legal	150	150	-	150
Office building expenses	6,000	8,000	6,467	1,533
Office building supplies & maintenance	2,500	500	209	291
Windbreak tree program	500	500	-	500
Brush control program	150	150	-	150
Newsletter	50	50	-	50
Hope community ditch project	90,000	85,000	76,749	8,251
Salt Cedar project	5,000	6,000	5,403	597
Total expenditures	<u>\$ 137,300</u>	<u>\$ 137,300</u>	<u>\$ 120,635</u>	<u>\$ 16,665</u>

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

STATE OF NEW MEXICO
PENASCO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Penasco 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 business-type or fiduciary activities.

STATE OF NEW MEXICO
PENASCO 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 reimbursements for shared expenses, and 2) grants and contributions from state agencies and legislative appropriations 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 are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

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

STATE OF NEW MEXICO
PENASCO 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.

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 three 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 and Payables

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 Eddy, Chaves and Otero County Treasurers and are remitted to the District in the month following collection.

The District's accounts payable represent routine monthly bills for services rendered and products purchased in the current year and paid in the following year. At June 30, 2005 they consist of \$558 for accrued payroll and \$17,422 for vendors.

3. Capital Assets

Capital assets, which include buildings 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 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

STATE OF NEW MEXICO
PENASCO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

are not capitalized. The District has no infrastructure which is required to be reported pursuant to GASB statement no. 34.

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

Office Building	25 years
Storage Building	15 Years
Farm equipment	5 years

4. Compensated Absences

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

5. Net Assets and Fund Balance

The difference between the District's assets and liabilities is its net assets. The District's net assets consist of two components – invested in capital assets, which is the cost of 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.

STATE OF NEW MEXICO
PENASCO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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

	<u>General Fund</u>
Non-GAAP revenues (Exhibit 5)	\$ 82,779
Prior year receivables	(3,270)
Current year receivables	<u>16,303</u>
GAAP revenues (Exhibit 4)	<u><u>\$ 95,812</u></u>
Non-GAAP expenditures (Exhibit 5)	\$ 120,635
Prior year payable	(9,664)
Prior year payroll accrual	-
Current year accounts payable	17,422
Current year accrued payroll	<u>558</u>
GAAP expenditures (Exhibit 4)	<u><u>\$ 128,951</u></u>

III. Detailed Notes on all Funds

A. Cash

As of June 30, 2005, the District had a carrying amount of deposits of \$51,406. The bank balances for deposits were \$52,449. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$1,043. The total bank balance consisted of the following:

<u>Wells Fargo</u>	
Checking Accounts	\$ 42,268
Less: FDIC coverage	(42,268)
Amount uninsured	<u><u>\$ -0-</u></u>

STATE OF NEW MEXICO
PENASCO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

<u>Wells Fargo</u>	
Certificate of Deposit	\$ 10,181
Less: FDIC coverage	<u>(10,181)</u>
Amount uninsured	<u>\$ -0-</u>

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. The District does not have a deposit policy for custodial credit risk. None of the District's deposits are exposed to custodial credit risk since all deposits are insured by the FDIC.

B. Accounts Receivable

Accounts receivable consist of the following amounts which are considered fully collectible:

Expense reimbursements	\$ 15,201
Property taxes	1,077
Accrued interest	<u>25</u>
Total	<u>\$ 16,303</u>

C. Capital Assets

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

Description	Balance 6/30/04	Additions	Deletions	Balance 6/30/05
Buildings	\$ 55,000	-	-	\$ 55,000
Equipment	1,600	-	-	1,600
Totals	<u>56,600</u>	<u>-</u>	<u>-</u>	<u>56,600</u>
Less accumulated depreciation for:				
Buildings	43,780	2,040	-	45,820
Equipment	1,600	-	-	1,600
Total accumulated depreciation	<u>45,380</u>	<u>2,040</u>	<u>-</u>	<u>47,420</u>
Capital assets, net	<u>\$ 11,220</u>	<u>\$ (2,040)</u>	<u>\$ -</u>	<u>\$ 9,180</u>

STATE OF NEW MEXICO
PENASCO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

IV. Other Information

A. Risk Management

The District is exposed to various risks of loss due to torts, theft or damage of assets, errors and omissions and natural disasters. The District's supervisors and employees are covered by an errors and omissions liability policy purchased by the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,050,000 for each wrongful act and \$1,050,000 for the policy aggregated. The District is required to obtain a corporate surety bond on behalf of persons responsible for District assets. The District currently maintains a \$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.

B. 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 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, 2005
Total estimated amount:	\$4,366,666 as of June 30, 2005
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
PENASCO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

C. Subsequent Event

At the December 27, 2005 meeting, the Board of Supervisors voted to add Central Valley SWCD and the Cottonwood Watershed District as joint owners of the building. The deed only lists Penasco SWCD as of June 30, 2005. The building was acquired in 1985 by the three Districts for \$51,000. Its net book value as of June 30, 2005 is \$9,180.

considered to be material weaknesses. However, the reportable condition described above is 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*. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as item 05-2.

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

February 24, 2006

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

STATUS OF PRIOR YEAR AUDIT FINDINGS

04-1 Inaccurate Payments and Missing Documentation – Modified and repeated as 05-1.

CURRENT YEAR AUDIT FINDINGS

Finding 05-1 – Inaccurate Payroll

Condition

During our review of 15 payroll vouchers, we noted two instances where the District Manager was overpaid by a total of \$249.

Criteria

Good accounting practice and SWCD operating manual require that employees are paid only for the hours worked.

Effect

The District overpaid to the employee and did not comply with the SWCD operating policy.

Cause

Total hours reported on the timesheet were inaccurate which was not detected by the District.

Recommendation

We recommend that the Board check the accuracy of timesheets before authorizing and approving it for payment.

District's Response

The District employee has repaid the District for the error in figuring the payroll in the amount of \$240. After discussing this matter with the board members, it was determined that an error on listing the time worked must have been made and that this was not an overpayment. But just to clarify matters the easiest, the employee wished to just repay the District to clear the matter up. Therefore, the matter is resolved.

STATE OF NEW MEXICO
PENASCO SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2005

Finding 05-2 – Late filing of reports to IRS and NMDOL

Condition

During our review of payroll and expenditure test, we noted one instance when a quarterly 941 form to IRS and two instances when the quarterly reports to NMDOL were filed late.

Criteria

IRS and NMDOL regulations require that employers file reports timely.

Effect

The District is not in compliance with IRS and NMDOL. The District paid \$367.58 in interest, late fees and penalties to NMDOL due to late filing of quarterly reports. In addition, IRS may impose interest and penalty for late filing of quarterly 941 reports.

Cause

The District manager forgot to file the required reports by the due dates.

Recommendation

We recommend the District file the reports by the date required by regulations.

District's Response

Every effort will be made in the future to file the payroll tax reports on time to avoid any penalties/interest. This is being done currently.

STATE OF NEW MEXICO
PENASCO 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 February 24, 2006, an exit conference was held at the District Office with Mr. Steve Barley, Chairman, and Tammy Klein, District Manager, of the Penasco Soil and Water Conservation District. Representing the Office of the State Auditor were Sanjay Bhakta, Senior Auditor, and Joyce Sandoval, Audit Supervisor.