

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

**STATE OF NEW MEXICO**

**SAN JUAN**

**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**

8036

STATE OF NEW MEXICO  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

**STATE AUDITOR**  
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JUNE 30, 2005

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**RECEIVED**

JUN 1 2006

STATE AUDITOR

STATE OF NEW MEXICO  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER  
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
Tommy Bolack	Chairman
Lawrence Stock	Vice-Chairperson
Don Joplin	Secretary/Treasurer
Jim Lukow	Supervisor
<u>District Personnel</u>	<u>Title</u>
Elisa Bird	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. Louis Montoya, Chairman  
and Members of the Board of Supervisors  
San Juan Soil and Water Conservation District  
1427 W. Aztec Blvd., Suite 1  
Aztec, NM 87410

We have audited the accompanying financial statements of the governmental activities, the general fund and the budgetary comparison of the San Juan 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.sao.nm.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 May 19, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Office of the State Auditor*

OFFICE OF THE STATE AUDITOR

May 19, 2006

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

Exhibit 1

	Governmental Activities
<b>Assets</b>	
Cash	\$ 50,319
Capital assets, net	4,323
Interest receivable	27
Total assets	54,669
<b>Liabilities</b>	
Accounts payable	1,445
Total liabilities	1,445
<b>Net Assets</b>	
Invested in capital assets	4,323
Restricted for:	
Conservation projects	-
Scholarships	2,315
Unrestricted	46,586
Total net assets	\$ 53,224

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

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

Exhibit 2

	Governmental Activities
<b>Program Expenses:</b>	
Conservation:	
Salary	\$ 9,876
Soil Stewardship	235
NACCD Dues	400
NMACCD Dues	500
HUB & RC&D Dues	50
Bond	115
Office Expense	286
Annual Meeting	965
Legal notices & Advertisement	1,655
Education projects	3,299
Per diem & mileage	1,540
Carl Chamblles scholarship	1,000
Depreciation	618
Total program expenses	20,539
<b>Program Revenues:</b>	
Local operating grants and contracts	10,000
BLM operating grant	2,000
Charges for services	289
Operating donations	427
Total program revenues	12,716
Net program (expense) revenue	(7,823)
<b>General Revenues:</b>	
NMDA allotment	8,309
Interest	116
Total general revenues	8,425
Change in net assets	602
Net assets at beginning of year	52,622
Net assets at end of year	\$ 53,224

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

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

	General Fund
<b>Assets</b>	
Cash	\$ 50,319
Interest receivable	27
<b>Total assets</b>	<b>\$ 50,346</b>
<b>Liabilities and fund balance</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 1,445
<b>Total liabilities</b>	<b>1,445</b>
<b>Fund balance:</b>	
Reserved for scholarships	2,315
Unreserved, undesignated	46,586
<b>Total fund balance</b>	<b>48,901</b>
<b>Total liabilities and fund balance</b>	<b>\$ 50,346</b>

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



STATE OF NEW MEXICO  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT  
FINANCIAL STATEMENT RECONCILIATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS:

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)	\$ 48,901
Capital assets, net of accumulated depreciation	<u>4,323</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 53,224</u></u>

STATE OF NEW MEXICO  
 SAN JUAN SOIL AND 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 allocation	\$ 8,309
San Juan County grant	10,000
BLM grant	2,000
Interest	116
Donation	427
Equipment rental	289
	21,141
<b>Total revenues</b>	
<b>Expenditures</b>	
Conservation:	
Secretary/clerk salary	8,730
Taxes - employee/ employer share	1,146
Soil Stewardship	235
NACD Dues	400
NMACD Dues	500
HUB & RC&D Dues	50
Bond	115
Office Expense	286
Annual Meeting	965
Legal notices & Advertisement	1,655
Awards	-
Education projects	3,299
Per diem & mileage	1,540
Carl Chamblis scholarship	1,000
Capital outlay	-
	19,921
<b>Total expenditures</b>	
Net change in fund balance	1,220
Fund balance beginning of year	47,681
Fund balance end of year	\$ 48,901

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

STATE OF NEW MEXICO  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT  
FINANCIAL STATEMENT RECONCILIATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS:

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)	\$ 48,901
Capital assets, net of accumulated depreciation	<u>4,323</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 53,224</u></u>

STATE OF NEW MEXICO  
 SAN JUAN SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
San Juan County Grant	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
State allocation	8,000	8,000	8,309	309
BLM grant	-	-	2,000	2,000
Equipment rental	200	200	289	89
Interest on deposits	125	125	88	(37)
Donations	-	-	427	427
<b>Total revenues</b>	<u>\$ 18,325</u>	<u>\$ 18,325</u>	<u>\$ 21,113</u>	<u>\$ 2,788</u>

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Expenditures</b>				
Conservation:				
Secretary/clerk salary	\$ 8,840	\$ 9,222	\$ 9,222	\$ -
Taxes - employee/ employer share	2,800	2,800	662	2,138
Soil Stewardship	500	235	235	-
NACD Dues	750	400	400	-
NMACD Dues	500	500	500	-
HUB & RC&D Dues	50	50	50	-
Bond	124	115	115	-
Office Expense	500	303	280	23
Annual Meeting	600	965	965	-
Legal notices & Advertisement	275	315	1,655	(1,340)
Awards	150	-	-	-
Education projects	1,000	1,399	2,939	(1,540)
Per diem & mileage	2,000	1,785	1,473	312
Carl Chamblis scholarship	-	-	1,000	(1,000)
<b>Total expenditures</b>	<u>\$ 18,089</u>	<u>\$ 18,089</u>	<u>\$ 19,496</u>	<u>\$ (1,407)</u>

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

STATE OF NEW MEXICO  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The San Juan 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,

STATE OF NEW MEXICO  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

which rely to a significant extent on fees and charges for support. However, the District does not have any business-type activities.

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 equipment rental and 2) grants and contributions from federal, state and local sources 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. 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. Revenues susceptible to accrual include interest income, reimbursements and grant receivables. 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.

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  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

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

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

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

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

**1. Cash**

The District's cash and cash equivalents are considered to be demand deposits and short term investments (a certificate of deposit) with an original maturity of one year 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. Capital Assets**

Capital assets include farm and computer equipment (including software) and 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 are not capitalized. The District has no infrastructure which is required to be capitalized and depreciated.

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

STATE OF NEW MEXICO  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

Office Equipment 5 years  
Farm Equipment 10 years

3. Net Assets and Fund Balance

Net assets as reported in Exhibit 1 are associated with general government assets and liabilities in the government –wide financial statements. Net assets are restricted for amounts invested in capital assets (net of related debt) and restrictions for conservation projects or scholarships.

Fund balance as reported in Exhibit 3 represents assets less liabilities of the governmental fund. The general fund which is the only governmental fund type is reserved for scholarships in accordance with donor restrictions.

**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  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

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

	General Fund
Non-GAAP revenues (Exhibit 5)	\$ 21,113
Prior year receivables	-
Current year receivables	28
GAAP revenues (Exhibit 4)	\$ 21,141
Non-GAAP expenditures (Exhibit 5)	\$ 19,496
Prior year payable	(1,020)
Current year payable	1,445
GAAP expenditures (Exhibit 4)	\$ 19,921

**III. Detailed Notes on all Funds**

**A. Cash**

As of June 30, 2005, the District had a carrying amount of deposits of \$50,319. The bank balances for deposits were \$50,819. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$500. The total bank balance of \$50,819 consisted of the following:

<u>Citizens Bank</u>	
Demand deposits	\$ 44,119
Less: FDIC coverage	(44,119)
Amount uninsured	\$ -0-
<u>Bank of the Southwest</u>	
Certificate of Deposit	\$ 6,700
Less: FDIC coverage	(6,700)
Amount uninsured	\$ -0-

*Custodial Credit Risk* – Deposits. Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The

STATE OF NEW MEXICO  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

District does not have deposit policy for custodial credit risk. As of June 30, 2005, none of the District's bank balances were exposed to custodial credit risk.

**B. Capital Assets**

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

Description	Balance		Additions	Deletions	Balance	
	6/30/2004	6/30/2005			6/30/2004	6/30/2005
Office equipment	\$ 1,748	\$ -	\$ -	\$ -	\$ 1,748	
Farm equipment	12,387	-	-	-	12,387	
	<u>\$ 14,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,135</u>	
Less accumulated depreciation for:						
Computer equipment	\$ 1,748	\$ -	\$ -	\$ -	\$ 1,748	
Farm equipment	7,447	618	-	-	8,065	
	<u>\$ 9,195</u>	<u>\$ 618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,813</u>	
Governmental activities capital assets, net	<u>\$ 4,940</u>	<u>\$ (618)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,322</u>	

**IV. Other Information**

**A. Employee Retirement Benefits**

The District has one employee and did not offer a pension plan, deferred compensation plan or post-employment benefits during the year ended June 30, 2005.

**B. Risk Management**

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

STATE OF NEW MEXICO  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

term is renewed annually each April 7 and covers all officers for \$5,000 each. The District has faced no losses during the last several years and is not a defendant in any lawsuit.

The District purchased liability insurance for equipment that is rented out for conservation projects. The insurance policy is held with Woods Insurance Service, Inc. and the annual term is renewed each May 4. The coverage is for \$1,000,000 general liability/special coverage and \$5,000 for the equipment with a \$500 deductible for both types of coverage. The District has faced no losses during the fiscal year for this policy.

**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.

There are no known contingent liabilities and there are no provisions for contingencies in these financial statements.

**D. Subsequent Event**

On December 21, 2005, Soil & Water Conservation Commission (SWCC) appointed Nick Chavez to replace the former Chairman of the District, Tommy Bolack. Don Joplin, Secretary/Treasurer, and Jim Lukow, Supervisor, resigned during a monthly meeting held by SWCC Chairman Brian Green on January 9, 2006 and Lawrence Stock, Vice-Chairperson resigned on February 22, 2006.

At the January 9, 2006 meeting, the following were appointed by SWCC as supervisors:

Louis Montoya	Chairman
Paul Bandy	Treasurer
Nick Chavez	Supervisor
Steve Flores	Supervisor



# 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. Louis Montoya, Chair  
and Members of the Board of Supervisors  
San Juan Soil and Water Conservation District  
1427 West Aztec Blvd, Suite 1  
Aztec, NM 87410

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the San Juan Soil and Water Conservation District (District) as of and for the year ended June 30, 2005 and have issued our report dated May 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, none were 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 items 05-1 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

May 19, 2006

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

STATUS OF PRIOR YEAR AUDIT FINDINGS

- 03-1 Propriety of Expenditures – Resolved
- 03-4 Incomplete Fixed Asset Listing – Resolved
- 04-1 Voucher not Authorized by Board - Resolved

CURRENT YEAR AUDIT FINDINGS

**05-1. Overpayment of Expenditures**

Condition

Thirty-one (31) disbursements out of 92 disbursements in the general operating account were examined. Auditors found three (3) overpayments totaling \$29 for mileage payments which resulted from using improper rate of .365 per mile instead of .32.

Criteria

New Mexico Department of Finance and Administration (DFA) Rule 2.42.2 NMAC establishes travel and per diem regulations for various sections of the *New Mexico Statutes Annotated 1978* (NMSA). Mileage reimbursement is limited to 32 cents per mile.

Effect

The District is not in compliance with State law and DFA travel regulations and overpaid \$29.

Cause

The Board of Supervisors provided inadequate oversight when approving bills for payments.

Recommendation

Follow New Mexico Department of Finance and Administration (DFA) Rule 2.42.2 NMAC for travel and per diem regulations.

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

District's Response

When the current District Clerk began working at the District in November 2004, the .365 was in use. The District has called other Districts to see what their per diem per mile is and it is .32 a mile. This will be the new policy that the District will follow.

**05-2. Bookkeeping errors**

Condition

Auditors noted multiple bookkeeping errors during the audit of the District. For example, we found 12 instances where revenues of \$20,727 and expenditures of \$2,032 were not posted to the proper accounts. A bank reconciliation included a \$66 check as outstanding, but the check had been voided. Also, a certificate of deposit for \$6,700 at Southwest Bank was not recorded in the accounting software, QuickBooks.

Criteria

Good accounting practice requires that all financial activity be recorded and reconciliations be prepared to reflect the proper account balances.

Effect

The board is not accurately informed about finances of the district. Reports to DFA have incorrect line item expenditures and revenues. Books are also not ready for audit.

Cause

The District clerk is not a bookkeeper and does not know how to properly account for financial activity of the District. She may also not understand how to use the Quick Books software.

Recommendation

The Clerk needs additional training to properly maintain the accounting records.

STATE OF NEW MEXICO  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
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District's Response

In 2004, the District had four different clerks. The Board that is currently in place consists of all new members and is only four months old. The current District Clerk had very little training for the position when she began working for the District. Also, Quickbooks has been set up in a way that was difficult for the current clerk and really unnecessary for the District. This audit makes it clear what is needed in the way of reports to DFA and in proper reporting. The District will be having the Clerk trained in QuickBooks and will set up QuickBooks on a cash basis and not accrual basis.

**05-3. Budget expenditure authority was exceeded**

Condition

The District overspent its approved budget by \$1,407.

Criteria

Section 6-6-2 (H) NMSA 1978 requires local public bodies to maintain spending within the approved budget.

Effect

The District is not in compliance with State law.

Cause

The District did not obtain DFA approval to increase its expenditure budget.

Recommendation

The District should monitor expenditures more closely to ensure that budget adjustments are approved by DFA in a timely manner and to ensure that total expenditures do not exceed the approved budget.



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District's Response

Seeking DFA approval for a line item in the Fall of 2004 was started with one clerk and was passed on to the new Clerk. Relevant paper work pertaining approval from DFA for creating new line item was misplaced. However, letters to DFA are on hand and there is documented discussion in the minutes of January 05 that the line item had been approved by DFA. The District is now more aware of procedures and will comply.

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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 May 19, 2006, an exit conference was held at the San Juan Soil and Water District Office with Mr. Paul Bandy, Treasurer, and Ms. Elisa Bird. Representing the Office of the State Auditor was Sanjay Bhakta, Audit Supervisor.