

**STATE OF NEW MEXICO**

**SAN JUAN**

**SOIL AND WATER CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS**

**Fiscal Year Ended June 30, 2006**

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

STATE OF NEW MEXICO  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

TABLE OF CONTENTS  
JUNE 30, 2006

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents	i	
Official Roster	ii	
FINANCIAL SECTION		
Independent Auditor’s Report		1
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	3
Statement of Activities	2	4
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	5
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets		6
Statement of Revenues, Expenditures and Change In Fund Balance – Governmental Funds	4	7
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance- Governmental Funds to the Statement of Activities		8
Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	5	9
Notes to the Financial Statements		10
OTHER REPORTS		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		17
Schedule of Findings and Responses		19
Exit Conference		22

STATE OF NEW MEXICO  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT  
OFFICIAL ROSTER  
JUNE 30, 2006

<u>Board of Supervisors</u>	<u>Position</u>
Louis Montoya	Chairman
Paul Bandy	Treasurer
Nick Chavez	Supervisor
Steve Flores	Supervisor
Bruce Jaquez	Associate Board Member
Joe Jaquez	Associate Board Member
John Arrington	Associate Board Member

<u>District Personnel</u>	<u>Title</u>
Elisa Bird	District Clerk



# **OFFICE OF THE STATE AUDITOR**

**Hector H. Balderas**

## **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, 2006, 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, 2006, 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 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 15, 2007 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 15, 2007

STATE OF NEW MEXICO  
 SAN JUAN SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2006

	<u>Governmental</u>	<u>Activities</u>
<b>Assets</b>		
Cash	\$	68,919
Interest receivable		254
Capital assets, net		<u>3,705</u>
Total assets	\$	<u>72,878</u>
<b>Liabilities</b>		
Accounts payable	\$	<u>1,088</u>
Total liabilities		<u>1,088</u>
<b>Net Assets</b>		
Invested in capital assets		3,705
Restricted for:		
Conservation projects		16,000
Scholarships		1,380
Unrestricted		<u>50,705</u>
Total net assets	\$	<u><u>71,790</u></u>

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, 2006

	Governmental Activities
<b>Program Expenses:</b>	
Conservation:	\$
Salary	11,422
Dues	950
Bond	115
Office Expense	305
Annual Meeting	1,192
Legal notices & Advertisement	305
Education projects	73
Awards	179
Per diem & mileage	1,325
Carl Chamblles scholarship	1,000
Depreciation	618
	17,484
Total program expenses	17,484
<b>Program Revenues:</b>	
San Juan County - Operating grant	10,000
BLM operating grant	16,000
HUB operating grant	1,000
	27,000
Total program revenues	27,000
Net program (expense) revenue	9,516
<b>General Revenues:</b>	
NMDA allotment	8,651
Interest	399
	9,050
Total general revenues	9,050
Change in net assets	18,566
Net assets at beginning of year	53,224
Net assets at end of year	\$ 71,790

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, 2006

	General Fund
<b>Assets</b>	
Cash	\$ 68,919
Interest receivable	254
Total assets	<u>\$ 69,173</u>
<b>Liabilities and fund balance</b>	
<b>Liabilities:</b>	
Accounts payable	<u>\$ 1,088</u>
Total liabilities	<u>1,088</u>
<b>Fund balance:</b>	
Reserved for scholarships	1,380
Reserved for BLM cost share program	16,000
Unreserved, designated for subsequent year's expenditures	6,474
Unreserved, undesignated	44,231
Total fund balance	<u>68,085</u>
Total liabilities and fund balance	<u>\$ 69,173</u>

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



STATE OF NEW MEXICO  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT  
Reconciliation of the Balance Sheet- Governmental Funds to the Statement of Net Assets  
For the Fiscal Year Ended June 30, 2006

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

Fund Balance - Balance Sheet (Exhibit 3)	\$ 68,085
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Capital assets, net of accumulated depreciation	<u>3,705</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 71,790</u></u>

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 REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General Fund
<b>Revenues</b>	
State allocation	\$ 8,651
San Juan County operating grant	10,000
BLM operating grant	16,000
HUB operating grant	1,000
Interest	399
	36,050
<b>Total revenues</b>	
<b>Expenditures</b>	
Conservation:	
Current:	
Secretary/clerk salary/Bookkeeping	9,541
Taxes - employee/employer share	1,881
Dues	950
Bond	115
Office Expense	305
Annual Meeting	1,192
Legal notices & Advertisement	305
Awards	179
Education projects	73
Per diem & mileage	1,325
Carl Chambls scholarship	1,000
	16,866
<b>Total expenditures</b>	
Net change in fund balance	19,184
Fund balance beginning of year	48,901
Fund balance end of year	\$ 68,085

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 REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	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	8,651	651
BLM grant	-	-	16,000	16,000
HUB Grant	-	-	1,000	1,000
Equipment rental	269	269	-	(269)
Interest on deposits	75	75	172	97
<b>Total Revenue</b>	<u>18,344</u>	<u>18,344</u>	<u>\$ 35,823</u>	<u>\$ 17,479</u>
Cash balance budgeted	70	70		
<b>Total revenue and cash balance budgeted</b>	<u>\$ 18,414</u>	<u>\$ 18,414</u>		
<b>Expenditures</b>				
<b>Conservation:</b>				
Secretary/clerk salary/Bookkeeping	\$ 9,440	\$ 9,440	\$ 9,395	\$ 45
Taxes - employee/employer share	2,800	2,800	1,819	981
Soil Stewardship	500	500	-	500
NACD Dues	400	400	400	-
NMACD Dues	500	500	500	-
HUB & RC&D Dues	50	50	50	-
Bond	124	124	115	9
Office Supplies	500	500	311	189
Annual Meeting	600	600	1,192	(592)
Legal notices & Advertisement	350	350	305	45
Awards	150	150	179	(29)
Education projects	1,000	1,000	433	567
Per diem & mileage	2,000	2,000	1,524	476
Carl Chamblles scholarship	-	-	1,000	(1,000)
<b>Total expenditures</b>	<u>\$ 18,414</u>	<u>\$ 18,414</u>	<u>\$ 17,223</u>	<u>\$ 1,191</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, 2006

**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, 2006

which rely to a significant extent on fees and charges for support. However, the District does not have any fiduciary or 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. 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, 2006

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 \$5,000 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, 2006

Office Equipment    5 years  
Farm Equipment    10 years

3. Net Assets and Fund Balance

The difference between the District's assets and liabilities is its net assets. The net assets consist of three components – invested in capital assets, which is the cost of capital assets, net of accumulated depreciation, unrestricted nets assets, and restricted net assets- wherein the constrains are placed on net asset use either by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District's net assets as of June 30, 2006 consist of \$3,705 invested in capital assets, \$16,000 grant from BLM which is restricted for weed control activity, \$1,380 from donors which is restricted for scholarships, and \$50,705 which is unrestricted.

Fund balance as reported in Exhibit 3 represents assets less liabilities of the governmental fund. The general fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The District currently has reservations of \$1,380 for scholarships in accordance with donor restrictions and \$16,000 for the BLM cost share program for weed control.

**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  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

4. Prior to June 20, the approved budget is submitted to the State of New Mexico, Department of Finance and Administration, Local Government Division (DFA-LGD) for approval by the first Monday of September. The Board receives notice of the approved budget.

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

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

	General Fund
Non-GAAP revenues (Exhibit 5)	\$ 35,823
Prior year receivables	(27)
Current year receivables	254
GAAP revenues (Exhibit 4)	\$ 36,050
Non-GAAP expenditures (Exhibit 5)	\$ 17,223
Prior year payable	(1,445)
Current year payable	1,088
GAAP expenditures (Exhibit 4)	\$ 16,866

**III. Detailed Notes on all Funds**

**A. Cash**

As of June 30, 2006, the District had a carrying amount of deposits of \$68,919 including \$34 in petty cash. The bank balances for deposits were \$68,885. The total bank balance of \$68,885 consisted of the following:

<u>Citizens Bank</u>	
Demand deposits	\$ 62,185
Less: FDIC coverage	(62,185)
Amount uninsured	\$ -0-

Bank of the Southwest

STATE OF NEW MEXICO  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

Certificate of Deposit	\$ 6,700
Less: FDIC coverage	<u>(6,700)</u>
Amount uninsured	<u>\$ -0-</u>

*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 District does not have deposit policy for custodial credit risk. As of June 30, 2006, 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, 2006 was as follows:

Description	Balance 6/30/2005	Additions	Deletions	Balance 6/30/2006
Governmental activities:				
Office equipment	\$ 1,748	\$ -	\$ -	\$ 1,748
Farm equipment	<u>12,387</u>	<u>-</u>	<u>-</u>	<u>12,387</u>
Totals at historical cost	<u>\$ 14,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,135</u>
Less accumulated depreciation for:				
Computer equipment	\$ 1,748	\$ -	\$ -	\$ 1,748
Farm equipment	<u>8,064</u>	<u>618</u>	<u>-</u>	<u>8,682</u>
Total accumulated depreciation	<u>\$ 9,812</u>	<u>\$ 618</u>	<u>\$ -</u>	<u>\$ 10,430</u>
Governmental activities capital assets, net	<u>\$ 4,323</u>	<u>\$ (618)</u>	<u>\$ -</u>	<u>\$ 3,705</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, 2006.

STATE OF NEW MEXICO  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**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 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.



# **OFFICE OF THE STATE AUDITOR**

**Hector H. Balderas**

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, Chairman  
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, 2006 and have issued our report dated February 15, 2007. 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 responses 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

2113 Warner Circle, Santa Fe, New Mexico 87505-5499

(505) 476-3800 · (800) 432-7517 · Fax (505) 827-3512

[www.sao.nm.org](http://www.sao.nm.org)

period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, 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 responses as item 05-1.

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, grantors, and the New Mexico Department of Finance and Administration 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 15, 2007

STATE OF NEW MEXICO  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2006

STATUS OF PRIOR YEAR AUDIT FINDINGS

- 05-1 Overpayment of expenditures - Modified and repeated
- 05-2 Bookkeeping errors – Modified and repeated
- 05-3 Budget expenditure authority was exceeded - Resolved

CURRENT YEAR AUDIT FINDINGS

**05-1. Overpayment of Expenditures**

Condition

Out of thirty-two (32) disbursement vouchers examined, auditors found four (4) overpayments totaling \$55.84 for mileage payments which resulted from using an improper rate of .365 per mile instead of .32.

Criteria

New Mexico Department of Finance and Administration (DFA) Rule 2.42.2 NMMAC 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 \$55.84.

Cause

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

Recommendation

The Board should be more diligent when approving the bills for payments. Follow New Mexico Department of Finance and Administration (DFA) Rule 2.42.2 NMMAC for travel and per diem regulations.

STATE OF NEW MEXICO  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2006

District's Response

This practice was carried over from the previous Board. The new Board has corrected the mileage amount in FY 2006-2007. Since the beginning of FY 2006-2007, the per diem has been adjusted to the approved rate of 32 cents per mile.

**05-2. Bookkeeping errors**

Condition

We noted multiple bookkeeping errors during the audit of the District. For instance, we found that in QuickBooks, the expenditure was overstated by \$1,147.68 and revenue was understated by \$974.88. Out of six line items in revenue, three had posting errors. As per the District's budget, there were 14 line items for expenditures; whereas in QuickBooks, there were 29. Also, a certificate of deposit for \$6,700.39 at Southwest Bank was not recorded in the accounting software, QuickBooks. The amounts in quarterly reports sent to DFA did not agree with QuickBooks and/or the actual amounts. Also, the reports to DFA did not show the scholarship fund activity at all.

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 the finances of the District. Reports to DFA are inaccurate, and have incorrect line item expenditures and revenues. Books are not considered ready for audit. Undetected errors in bookkeeping and reports may result in financial statement misstatements.

Cause

The professional bookkeeper the District has retained does not follow budget line items the District has in place and has created numerous additional line items in QuickBooks. The QuickBooks is maintained on accrual basis even though the District's policy is to be on cash basis. There is a lack of synchronized effort as far as preparing monthly and quarterly reports based on QuickBooks for the Board and DFA. The District Clerk

STATE OF NEW MEXICO  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2006

manually prepares monthly and quarterly reports which are not based upon QuickBooks amounts, and they are never reconciled.

Recommendation

The professional bookkeeper retained by the District needs to follow budget line items and ensure each bank account is reflected in QuickBooks. Coordinate efforts to ensure monthly and quarterly financial reports agree with QuickBooks.

District's Response

We have modified QuickBooks to reflect correct line items of FY 2006-2007. The overabundance of line items was the request of the previous Board which changed in 2005-2006. The Bookkeeper has included Bank of Southwest CD in QuickBooks, and it will be included in reports to DFA. The bookkeeper will prepare the monthly reports now instead of the District Clerk, thus there will not be any reconciliation necessary. The Scholarship fund activity is now being combined with Educational expense line item and will be reported to DFA. FY2006-2007 QuickBooks is being set up on cash basis now as recommended.



STATE OF NEW MEXICO  
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

EXIT CONFERENCE  
JUNE 30, 2006

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 15, 2007, an exit conference was held at the San Juan Soil and Water District Office with Mr. Nick Chavez, Supervisor, Virgil Chavez, Associate Board Member and Ms. Elisa Bird. Representing the Office of the State Auditor was Sanjay Bhakta, Audit Supervisor and Peter J. Pacheco, Staff Auditor.