

State of New Mexico
OFFICE OF THE STATE AUDITOR

STATE OF NEW MEXICO

UPPER CHAMA

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
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT

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STATE OF NEW MEXICO
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
Mariano Manzanares	Chairperson
J. Agapito Candelaria	Vice-Chairperson
Juanita Pino	Secretary/Treasurer
Michael Gomez	Supervisor
Chon LaBrier	Supervisor
<u>District Personnel</u>	<u>Title</u>
Melody N. Gomez	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. Mariano Manzanares, Chair
and Members of the Board of Supervisors
Upper Chama Soil and Water Conservation District
PO Box 514
Tierra Amarilla, New Mexico 87575

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Upper Chama 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 17, 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 17, 2006

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

Exhibit 1

	Governmental Activities
Assets	
Cash	\$ 74,992
Property tax receivable	787
Account receivable-employee, net	-
Capital assets, net	3,993
Total assets	79,772
Liabilities	
Accounts payable	370
Accrued payroll	1,407
Total liabilities	1,777
Net Assets	
Invested in capital assets	3,993
Unrestricted	74,002
Total net assets	\$ 77,995

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

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

Exhibit 2

	Governmental Activities
Program Expenses:	
Conservation:	
Salary	\$ 13,908
Payroll taxes	6,201
Per diem and travel	7,709
Supplies	1,908
Telephone	934
Rent	1,502
Meetings	1,373
Conservation education	638
Bonding	115
Dues	2,635
Postage	241
Publications	1,042
Professional fees	1,088
Conservation projects	940
Miscellaneous	35
Depreciation	1,065
Total program expenses	41,334
Program Revenues:	
Operating grants	-
Total program revenues	-
Net program (expense) revenue	(41,334)
General Revenues:	
Mill levy	62,871
State allocation	9,286
Miscellaneous	1,202
Total general revenues	73,359
Change in net assets	32,025
Net assets at beginning of year	45,970
Net assets at end of year	\$ 77,995

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

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

Exhibit 3

	General Fund
Assets	
Cash	\$ 74,992
Property taxes receivable	787
Accounts receivable - employee, net	-
Total assets	\$ 75,779
Liabilities and fund balance	
Liabilities:	
Accounts payable	370
Accrued payroll	1,407
Total liabilities	1,777
Fund balance:	
Unreserved, designated for subsequent year for subsequent year expenditures	47,522
Unreserved, undesignated	26,480
Total fund balance	74,002
Total liabilities and fund balance	\$ 75,779

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

STATE OF NEW MEXICO
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

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

Fund Balance - Balance Sheet (Exhibit 3)	\$ 74,002
Capital assets, net of accumulated depreciation	<u>3,993</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 77,995</u></u>

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

STATE OF NEW MEXICO
 UPPER CHAMA 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
Revenues	
Property taxes	\$ 62,871
State allocation	9,286
Miscellaneous	1,202
	73,359
Total revenues	
Expenditures	
Conservation:	
Current:	
Salary	13,908
Payroll taxes	6,201
Per diem and travel	7,709
Supplies	1,908
Telephone	934
Rent	1,502
Meetings	1,373
Conservation education	638
Bonding	115
Dues	2,635
Postage	241
Publications	1,042
Professional fees	1,088
Conservation projects	940
Miscellaneous	35
	40,269
Total expenditures	
Net change in fund balance	33,090
Fund balance beginning of year	40,912
Fund balance end of year	\$ 74,002

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

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

Net change in fund balance - Governmental Funds (Exhibit 4) \$ 33,090

Amounts reported in the Statement of Activities are different because:

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

Capital outlay	-
Depreciation expense	<u>(1,065)</u>
Change in net assets - Statement of Activities (Exhibit 2)	<u><u>\$ 32,025</u></u>

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

STATE OF NEW MEXICO
 UPPER CHAMA 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				
Property taxes	\$ 63,000	\$ 63,000	\$ 72,599	\$ 9,599
State allocation	9,000	9,000	9,286	286
Miscellaneous	-	-	1,202	1,202
Total revenues	<u>72,000</u>	<u>72,000</u>	<u>\$ 83,087</u>	<u>\$ 11,087</u>
Cash balance budgeted	<u>20,502</u>	<u>20,502</u>		
Total revenues and cash	<u>\$ 92,502</u>	<u>\$ 92,502</u>		
Expenditures				
Conservation:				
Fidelity bond	\$ 500	\$ 115	\$ 115	\$ -
District conservation projects	19,867	16,367	940	15,427
Elections	500	-	-	-
Dues & subscriptions	2,000	2,000	2,635	(635)
Education projects	7,000	7,000	638	6,362
Equipment	9,000	12,500	-	12,500
Equipment & maintenance	4,700	4,700	35	4,665
Office supplies	2,000	2,500	1,908	592
Payroll expense	19,435	16,935	13,916	3,019
Postage & delivery	500	500	241	259
Professional fees	3,000	3,000	1,043	1,957
Rent	2,000	2,000	1,502	498
Payroll taxes	3,500	3,500	7,842	43
Travel & per diem	7,000	7,000	7,433	(433)
Publications	2,000	2,000	1,042	958
Telephone	1,500	1,500	934	566
Meetings & workshops	5,000	5,000	1,373	3,627
Prior year bills	3,000	1,500	-	1,500
Total expenditures	<u>\$ 92,502</u>	<u>\$ 92,502</u>	<u>\$ 41,597</u>	<u>\$ 50,905</u>

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

STATE OF NEW MEXICO
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Upper Chama Soil and Water Conservation District (District) is organized under the provisions of the Soil and Water Conservation District Act (73-20-25 through 73-20-49 NMSA 1978). The District is a governmental subdivision of the state, a public body corporate and politic, organized for control and prevention of flood, sediment, and soil erosion damage, and to further the conservation, development and beneficial use of water and soil resources. The governing body of the District consists of five elected supervisors, four of whom must be landowners in the District. Two additional supervisors may be appointed to the District board. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

The financial reporting entity as defined by GASB 14 consists of the primary government, organizations for which the primary government is financially accountable, and other organizations whose exclusion from the financial reporting entity would cause the financial statements to be misleading.

A primary government is any state government or general-purpose local government and the organizations comprising its legal entity. Although the District is organized as a subdivision of the State and administratively attached to the New Mexico State University, Department of Agriculture, the statutory powers of the District establish it as a primary government with a separate corporate and legal identity. The District has no component units, financially dependent affiliates, nor is it legally liable for actions of other agencies.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). The District is required to implement GASB Statement No. 40, *Deposit and Investment Risk Disclosures* in fiscal year 2005. To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities,

STATE OF NEW MEXICO
UPPER CHAMA 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 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds.

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

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

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

STATE OF NEW MEXICO
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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.

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 consists of a demand deposit.

2. Receivables and Payables

The District's account receivable balance of \$452 is owed by a former employee due to a court order. The account is over a year old and an allowance for doubtful accounts has also been recorded for \$452.

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 Rio Arriba Count and are remitted to the District in the month following collection.

3. Capital Assets

Capital assets, which include office and farm 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

STATE OF NEW MEXICO
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

\$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. There was no infrastructure required to be capitalized and depreciated under GASB Statement No. 34.

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

Office equipment	5 years
Farm equipment	10 years

4. Net Assets and Fund Balance

The difference between the District's assets and liabilities is its net assets. The District's net assets consist of two components – invested in capital assets, which is the cost of capital assets, net of accumulated depreciation and unrestricted net assets. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The District currently has no reservation of fund balance.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

1. Prior to April 1, the Budget Committee submits to the District Board of Supervisors a proposed revenue and expenditure budget for the fiscal year beginning July 1.
2. The Board reviews the budget proposal and makes any necessary adjustments.
3. Prior to June 1, the Board approves the budget by passing a resolution.

STATE OF NEW MEXICO
UPPER CHAMA 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

		General Fund
Non-GAAP revenues (Exhibit 5)	\$	83,087
Prior year receivables		(10,515)
Current year receivables		787
GAAP revenues (Exhibit 4)	\$	73,359
Non-GAAP expenditures (Exhibit 5)	\$	41,597
Prior year payable		(3,105)
Current year payroll accrual		1,407
Current year payable		370
GAAP expenditures (Exhibit 4)	\$	40,269

III. Detailed Notes on all Funds

A. Cash

The District had a carrying amount of deposits of \$74,992. The bank balances for deposits were \$79,702. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$4,710. As of June 30, 2005, none of the District's deposits were exposed to custodial credit risk as follows:

Custodial Credit Risk – Deposits. Custodial Credit Risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2005, none of the District's bank balances were exposed to custodial credit risk.

STATE OF NEW MEXICO
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

<u>Bank of America</u>	
Demand deposits	\$ 79,702
Less: FDIC coverage	<u>(79,702)</u>
Amount uninsured	<u>\$ -0-</u>

B. Receivables

The District receives property taxes from Rio Arriba County for operational purposes. The counties levy property taxes based on the January 1st assessed value of property. Property taxes are payable in two payments, by November 10 and April 10. County treasurers collect property taxes and remit to the District in the month following collection. GAAP requires recognition of property taxes when they are considered both measurable and available. Taxes are considered delinquent if not received within 30 days of the due date.

C. Capital Assets

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

Description	Balance 6/30/2004	Additions	Deletions	Balance 6/30/2005
Farm Equipment	\$ 31,675	-	-	\$ 31,675
Office Equipment	<u>3,074</u>	-	-	-
Total capital assets	<u>34,749</u>	-	-	<u>31,675</u>
Less accumulated depreciation for:				
Farm Equipment	27,970	467	-	28,437
Office Equipment	<u>1,721</u>	598	-	<u>2,319</u>
Total accumulated depreciation	<u>29,691</u>	1,065	-	<u>30,756</u>
Governmental activities capital assets, net	<u>\$ 5,058</u>	<u>(1,065)</u>	-	<u>\$ 3,993</u>

STATE OF NEW MEXICO
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

IV. Other Information

A. Employee Retirement Benefits

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

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 currently maintains a \$10,000 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.

C. Contingent Liabilities

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



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. Mariano Manzanares, Chair
and Members of the Board of Supervisors
Upper Chama Soil and Water Conservation District
P.O. Box 514
Tierra Amarilla, New Mexico 87575

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Upper Chama Soil and Water Conservation District (District) as of and for the year ended June 30, 2005 and have issued our report dated February 17, 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 03-5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation

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to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we considered none to be a material weakness.

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 an instance of noncompliance or other matters which is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and recommendations as item 02-3.

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

February 17, 2006

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

STATUS OF PRIOR YEAR AUDIT FINDINGS

- 02-3 Federal Tax Report – Modified and Repeated
- 03-5 No Supporting Documentation (Material Weakness) – Modified and Repeated

CURRENT YEAR AUDIT FINDINGS

- 02-3 Federal Tax Report
- 03-5 No Supporting Documentation

02-3 Federal Tax Reporting – Modified and Repeated

Condition

The *Employer's Quarterly Federal Tax Return* (Form 941) for the quarter ended March 31, 2005 under reported gross wages by \$624.

Criteria

IRS Code specifically requires accurate federal tax returns supported by the District's financial records.

Effect

The District is in violation of the IRS Code which could result in penalty assessments from the IRS.

Cause

The District outsourced the preparation of the 941 reports to a local bookkeeping company and it appears that one entire payroll was not picked up in the total.

STATE OF NEW MEXICO
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2005

Recommendation

The District should have a Board member review 941 Forms and the supporting financial records prior to filing IRS reports to ensure that the amounts reported are accurate.

District's Response

The District agrees with the finding. The Board of Supervisor's currently reviews for accuracy and approves all 941 forms and supporting records prior to submitting to the IRS. The 941 form for the quarter ending March 31, 2005 which was previously underreported, has been corrected.

03-5 No Supporting Documentation

Condition

A sample of 25 disbursements was tested. The District was missing two vouchers and accompanying supporting documentation for a total of \$224.

Criteria

The State Procurement Code requires supporting documentation (i.e., payment vouchers, invoice, contract, purchase agreement) for all expenditures of the District.

Effect

The District may have paid for services or goods not received.

Cause

The District clerk inadvertently misplaced the vouchers and invoices.

Recommendation

We recommend that the District prepare vouchers and attach supporting documentation for every expense of the District. The District shall not approve or make a payment to anyone until the supporting documentation is attached to the payment voucher and an

STATE OF NEW MEXICO
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2005

employee has certified (including date of receipt) that the goods or services have been received. These records should be maintained for a minimum of three years for future review and audit.

District's Response

The District agrees with the finding. Corrective action has been implemented. The District will continue to maintain a voucher verification report which is reviewed by the Chairman and Secretary/Treasurer quarterly. The reports lists the voucher number, payee, invoice and supporting documentation, indicating that the purchase was made in compliance with state purchasing requirements.

STATE OF NEW MEXICO
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
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 17, 2006, an exit conference was held at the Upper Chama Soil and Water District Office with District Treasurer Juanita Pino and District Clerk Ms. Melody Gomez. Representing the Office of the State Auditor was Audit Supervisor, Joyce Sandoval.