

**STATE OF NEW MEXICO**

**UPPER CHAMA**

**SOIL AND WATER CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS**

**Fiscal Year Ended June 30, 2006**

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

STATE OF NEW MEXICO  
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT

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JUNE 30, 2006

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STATE OF NEW MEXICO  
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER  
JUNE 30, 2006

<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



# **OFFICE OF THE STATE AUDITOR**

**Hector H. Balderas**

## **INDEPENDENT AUDITOR'S REPORT**

Mr. Mariano Manzanares, Chairperson  
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, 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  
 UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2006

	Governmental Activities
<b>Assets</b>	
Cash	\$ 82,352
Property tax receivable	1,229
Account receivable-employee, net	-
Capital assets, net	16,848
Total assets	100,429
<b>Liabilities</b>	
Accounts payable	42
Accrued payroll	852
Total liabilities	894
<b>Net Assets</b>	
Invested in capital assets	16,848
Unrestricted	82,687
Total net assets	\$ 99,535

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, 2006

Exhibit 2

	Governmental Activities
<b>Program Expenses:</b>	
Conservation:	
Salary	\$ 15,108
Payroll taxes	3,310
Per diem and travel	11,966
Supplies	2,944
Telephone	1,607
Rent	1,760
Meetings	2,240
Conservation education	1,685
Bonding	216
Dues	1,350
Postage	114
Publications	723
Professional fees	239
Conservation projects	15,432
Equipment and maintenance	5,444
Miscellaneous	758
Depreciation	861
Total program expenses	65,757
<b>Program Revenues:</b>	
Operating grants	-
Total program revenues	-
Net program (expense) revenue	(65,757)
<b>General Revenues:</b>	
Property taxes	72,297
State allocation	9,447
Interest	78
Miscellaneous	5,475
Total general revenues	87,297
Change in net assets	21,540
Net assets at beginning of year	77,995
Net assets at end of year	\$ 99,535

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, 2006

Exhibit 3

	General Fund
<b>Assets</b>	
Cash	\$ 82,352
Property taxes receivable	1,229
Accounts receivable - employee, net	-
<b>Total assets</b>	<b>\$ 83,581</b>
<b>Liabilities and fund balance</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 42
Accrued payroll	852
<b>Total liabilities</b>	<b>894</b>
<b>Fund balance:</b>	
Unreserved, designated for subsequent year for subsequent year expenditures	68,000
Unreserved, undesignated	14,687
<b>Total fund balance</b>	<b>82,687</b>
<b>Total liabilities and fund balance</b>	<b>\$ 83,581</b>

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 - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS  
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)	\$ 82,687
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds	
Capital assets, net of accumulated depreciation	<u>16,848</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 99,535</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, 2006

	<u>General Fund</u>
<b>Revenues</b>	
Property taxes	\$ 72,297
State allocation	9,447
Restitution	5,475
Interest	78
Miscellaneous	-
<b>Total revenues</b>	<u>87,297</u>
<b>Expenditures</b>	
Conservation:	
Current:	
Salary	15,108
Payroll taxes	3,310
Per diem and travel	11,966
Supplies	2,944
Telephone	1,607
Rent	1,760
Meetings	2,240
Conservation education	1,685
Bonding	216
Dues	1,350
Postage	114
Publications	723
Professional fees	239
Conservation projects	15,432
Equipment and maintenance	50
Miscellaneous	758
Capital Outlay	19,110
<b>Total expenditures</b>	<u>78,612</u>
<b>Net change in fund balance</b>	8,685
<b>Fund balance beginning of year</b>	<u>74,002</u>
<b>Fund balance end of year</b>	<u>\$ 82,687</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  
RECONCILIATION OF THE STATEMENT OF ACTIVITIES TO THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net change in Fund Balance - Governmental Funds (Exhibit 4)      \$ 8,685

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	13,716
Depreciation expense	<u>(861)</u>

Change in net assets - Statement of Activities (Exhibit 2)	<u><u>\$ 21,540</u></u>
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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, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 63,000	\$ 60,000	\$ 71,855	\$ 11,855
State allocation	9,500	9,500	9,447	(53)
Interest	100	80	78	(2)
Miscellaneous	13,200	5,200	5,475	275
<b>Total revenues</b>	<b>85,800</b>	<b>74,780</b>	<b>\$ 86,855</b>	<b>\$ 12,075</b>
Cash balance budgeted	60,000	68,000		
<b>Total revenues and cash balance budgeted</b>	<b>\$ 145,800</b>	<b>\$ 142,780</b>		
<b>Expenditures</b>				
Conservation:				
Fidelity bond	\$ 115	\$ 108	\$ 216	\$ (108)
District conservation projects	20,554	19,034	15,432	3,602
Dues & subscriptions	3,000	3,000	1,350	1,650
Education projects	18,000	15,350	1,685	13,665
Elections	500	500	-	500
Equipment	20,553	35,560	19,110	16,450
Equipment & maintenance	4,000	5,000	50	4,950
Office supplies	4,000	4,000	2,944	1,056
Payroll expense	22,000	22,150	15,642	6,508
Postage & delivery	400	400	114	286
Professional fees	4,000	14,000	242	13,758
Rent	4,000	4,000	1,760	2,240
Payroll taxes	9,000	9,000	3,331	5,669
Travel & per diem	10,000	11,200	12,291	(1,091)
Publications	4,000	4,000	723	3,277
Telephone	1,500	1,500	1,607	(107)
Meetings & workshops	5,000	4,000	2,240	1,760
Prior year bills	1,500	4,000	722	3,278
Contingency	13,678	1,500	36	1,464
<b>Total expenditures</b>	<b>\$ 145,800</b>	<b>\$ 158,302</b>	<b>\$ 79,495</b>	<b>\$ 78,807</b>

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, 2006

**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). To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, the District does not have any fiduciary or business-type activities.

STATE OF NEW MEXICO  
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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. 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. Other 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.

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  
UPPER CHAMA 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 consists of demand deposits.

**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 because the District does not anticipate repayment of restitution in the foreseeable future.

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

**3. Capital Assets**

Capital assets, consists of farm and office equipment (including software), that 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

STATE OF NEW MEXICO  
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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

Net assets as reported in Exhibit 1 are associated with general government assets and liabilities in the government-wide financial statements. The District's net assets consist of three components – invested in capital assets, which is the cost of capital assets, net of accumulated depreciation, unrestricted net assets, and restricted net assets - wherein the constraints 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 consist of \$16,848 invested in capital assets, \$82,687 unrestricted net assets and has no restricted net assets.

Fund balance, as reported in Exhibit 3 represents assets less liabilities of governmental fund types. The general fund reports reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific use. Designations may be established to indicate tentative plans for resource utilization in a future period. There are no reservations of the general fund balance, although \$68,000 of the unreserved portion has been designated for subsequent year expenditures to balance the budget.

## 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:



STATE OF NEW MEXICO  
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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.

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

		General Fund
Non-GAAP revenues (Exhibit 5)	\$	86,855
Prior year receivables		(787)
Current year receivables		1,229
GAAP revenues (Exhibit 4)	\$	<u>87,297</u>
Non-GAAP expenditures (Exhibit 5)	\$	79,495
Prior year payable		(1,407)
Prior year payroll accrual		(370)
Current year payroll accrual		42
Current year payable		852
GAAP expenditures (Exhibit 4)	\$	<u>78,612</u>

STATE OF NEW MEXICO  
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**III. Detailed Notes on all Funds**

**A. Cash**

The District had a carrying amount of deposits of \$82,352. The bank balances for deposits were \$85,856. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$3,504.

*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, 2006, none of the District's bank balances were exposed to custodial credit risk.

Bank of America

Demand deposits	\$ 85,856
Less: FDIC coverage	<u>(85,856)</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 1<sup>st</sup> 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, 2006 was as follows:

STATE OF NEW MEXICO  
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

	Balance 6/30/2005	Additions	Deletions	Balance 6/30/2006
Governmental Activities				
Capital Asset				
Farm Equipment	\$ 31,675	\$ 13,716	\$ -	\$ 45,391
Office Equipment	3,074	-	-	3,074
Total capital assets	<u>34,749</u>	<u>13,716</u>	<u>-</u>	<u>48,465</u>
Less accumulated depreciation for:				
Farm Equipment	28,437	861	-	29,298
Office Equipment	2,319	-	-	2,319
Total accumulated depreciation	<u>30,756</u>	<u>861</u>	<u>-</u>	<u>31,617</u>
Governmental activities capital assets, net	<u>\$ 3,993</u>	<u>\$ 12,855</u>	<u>\$ -</u>	<u>\$ 16,848</u>

**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, 2006 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.

STATE OF NEW MEXICO  
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**C. Contingent Liabilities**

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. Mariano Manzanares, Chairperson  
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, 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. A reportable condition is described in the accompanying Schedule of Findings and Responses as item 06-1.

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

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, the reportable condition described above is not considered 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 instances of noncompliance or other matters which are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items 06-2 and 06-3.

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 New Mexico Department of Finance and Administration, 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 15, 2007

STATE OF NEW MEXICO  
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2006

STATUS OF PRIOR YEAR AUDIT FINDINGS

- 02-3 Federal Tax Report – Resolved and Not Repeated
- 03-5 No Supporting Documentation (Material Weakness) – Resolved and Not Repeated.

CURRENT YEAR AUDIT FINDINGS

- 06-1 Recordkeeping
- 06-2 Payroll Calculations
- 06-3 Timely Federal Tax Report

**06-1 Incomplete Check Register**

Condition

- During the financial audit we noted the following:
- The check register provided did not have all the checks recorded. We cannot determine whether those checks have amounts that should be considered outstanding or considered voided.
  - The check register provided did not have one deposit totaling \$4,919 recorded but it was deposited in the bank.
  - There were several checks issued out of sequence that cleared the bank.

Criteria

In accordance with Generally Accepted Accounting Principles, all transactions should be recorded in a complete and accurate manner. Good accounting practices require that good internal controls be maintained over the general ledger to ensure proper recording of financial activity.

Effect

The general ledger line items appear to be misstated. Without having all activity recorded, the District is at risk for the loss of funds. The District does not have accurate reports of its financial activity.

STATE OF NEW MEXICO  
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2006

Cause

The District clerk appears to have omitted recording certain activity through oversight or lack of supervision.

Recommendation

The District should ensure that the activity of the District is properly recorded and reports and records be maintained to demonstrate the same.

District's Response

The District agrees with the citation. Corrective action has been implemented effective immediately. The District reviews all financial reports and has requested that a Daily Deposit Report be included in the financial packets to compare to the general ledger in order to monitor that all deposits are recorded.

The District will review the Check Register provided in the financial reports and will continue to monitor that all checks are in sequential order.

**06-2 Inaccurate Payroll Calculations**

Condition

A sample of 31 payroll transactions were tested. In four instances, District incorrectly calculated payroll deductions (FICA).

Criteria

Generally Accepted Accounting Principles require accurate payroll calculations and the IRS requires the accurate payment of FICA taxes.

Effect

The District Clerk was over paid \$42 by the District that was due to the IRS for FICA.

Cause

The District Clerk did not use the proper payroll amounts in calculating FICA withholdings amounts.



STATE OF NEW MEXICO  
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
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Recommendation

We recommend that the District make sure that amounts deducted are correct prior to approving the payroll.

District's Response

The District agrees with the finding, corrective action has been implemented. The District will request reimbursement from the previous employee in the amount of \$42. The District will also replace the current system of preparing payroll in-house and payroll will be done by a professional payroll entity.

**06-3 Untimely Federal Tax Reporting**

Condition

The *Employer's Quarterly Federal Tax Return* (Form 941) for the quarter ended September 2005 was not filed by October 15, 2005.

Criteria

IRS Code specifically requires the filing of quarterly 941 reports by the 15<sup>th</sup> day of the following month after the quarter.

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 and failed to monitor the filing of the report.

Recommendation

The District should ensure that quarterly reports are filed by the due dates.

STATE OF NEW MEXICO  
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District's Response

The District agrees with the finding, corrective action has been implemented. The current accounting entity preparing the 941 reports will be replaced and the same company that will prepare payroll will be preparing all tax reports.

STATE OF NEW MEXICO  
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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 Upper Chama Soil and Water District Office with District Chairperson Mariano Manzanares and District Clerk Ms. Jo Ann Valdez. Representing the Office of the State Auditor was Audit Supervisor, Joyce Sandoval.