



MACIAS, GUTIERREZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESPANOLA, NEW MEXICO
www.mgandc.com

STATE OF NEW MEXICO

**UPPER CHAMA SOIL AND WATER
CONSERVATION DISTRICT**

Independent Accountants' Report on Applying
Agreed-Upon Procedures

Year Ended June 30, 2013

STATE OF NEW MEXICO

**UPPER CHAMA SOIL AND WATER
CONSERVATION DISTRICT**

**Independent Accountants' Report on Applying
Agreed-Upon Procedures**

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**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
at June 30, 2013**

<u>Name</u>		<u>Title</u>
<u>Board of Supervisors</u>		
J. Agapito Candelaria		Chairman
Horace Leyba		Vice-Chairman
Lorrie A. V. Leyba		Secretary/Treasurer
Eloy Olivas		Supervisor
Michael Gomez		Supervisor
<u>Staff</u>		
Jo Ann N. Valdez		District Manager



Macias, Gutierrez
& Co., P.C.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To: Horace Leyba, Chairman
Upper Chama Soil and Water Conservation District
and
Honorable Hector H. Balderas
New Mexico State Auditor

We have performed the procedures enumerated below for the Upper Chama Soil and Water Conservation District (UCSWCD), for the year ended June 30, 2013, solely to assist the UCSWCD in demonstrating compliance with a **Tier 4** entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978, as set forth in the accompanying Exhibits A, B and C. The procedures were agreed to by the UCSWCD through the Office of the New Mexico State Auditor. The Upper Chama Soil and Water Conservation District's management is responsible for the organization's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

1. Cash

Procedures

- a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.
- b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division (DFA-LGD).
- c) Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Findings

- a) The UCSWCD has two bank accounts (one operating account and one reserve account) and utilizes Quicken to record transactions. All bank reconciliations are performed within days of receiving the bank statements and all were complete and on-hand for the entire year.
- b) Random tests of bank reconciliations revealed no exceptions. The reconciliations were accurate and agreed with supporting documentation. We traced the June 30, 2013 cash balances to the required quarterly financial report submitted to DFA-LGD (Exhibit B), without exception.
- c) Bank account balances never exceeded uninsured limits and therefore, pledged collateral was not required on either bank account.

2. Capital Assets

Procedures

Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

Findings

The UCSWCD performed a yearly inventory as required by Section 12-6-10 NMSA 1978 and maintains a capital asset listing.

3. Revenue

Procedures

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

- a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

Select a sample of revenues based on auditor judgment and test using the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

Findings

- a) An analytical review of prior-year to current-year revenue revealed no unexplained or unusual variations. The test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions.
- b) We requested supporting documentation for eight (8) deposits (91% of total revenue) from a total of 22 deposits for the year. For the sample selected, amounts recorded in Quicken agreed with supporting documentation and the bank statements without exception.
- c) Amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation.

4. Expenditures

Procedures

Select a sample of cash disbursements based on auditor judgment and test using the following attributes:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Findings

- a) We requested supporting documentation for thirty (30) disbursements (22% of total expenses) out of a total of 283 disbursements for the year. For the sample selected, amounts recorded as disbursed agreed to supporting documentation. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and cancelled check copy, as appropriate.
- b) Except for payments to Board members described below, disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. Payments to Board members for attending meetings are employee wages but were not treated as such. These payments are subject to payroll taxes.
- c) The bid process (or request for proposal process, if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

5. Journal Entries

Procedures

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Findings

The UCSWCD utilizes Quicken to record cash transactions only and does not prepare journal entries.

6. Budget

Procedures

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- a) Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.
- b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.
- c) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures – budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

Findings

- a) A review of the minutes revealed that the original proposed budget was approved by the UCSWCD and the DFA-LGD. There were no subsequent budget adjustments.
- b) Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.
- c) A schedule of revenues and expenditures – budget and actual (Exhibit A) was prepared on the cash budgetary basis used by the UCSWCD. The UCSWCD submitted a year-end Budget to Actual Report for FY 2013 to DFA-LGD which is included herein (Exhibit C).

Other

Procedures

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose in the report as required by Section, 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10 (I) (3) (C) NMAC.

Findings

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts, or any internal control deficiencies. However, see the Schedule of Findings and Responses for noncompliance issues related to the Expenditure finding above.

* * * * *

We were not engaged to, and did not conduct an audit of the financial statements or any part thereof, the objective of which would be the expression of an opinion on the financial statements or any part thereof, including the accompanying Exhibits A, B and C. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Upper Chama Soil and Water Conservation District, the New Mexico State Auditor's Office and the Department of Finance and Administration, Local Government Division and is not intended to be and should not be used by anyone other than those specified parties.

Macias, Gutierrez & Co., CPAs, P. C.

Macias, Gutierrez & Co., CPAs, P. C.

Espanola, New Mexico

September 27, 2013

STATE OF NEW MEXICO
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT
Schedule of Revenues and Expenditures-Budget and Actual (Cash Basis)
Year Ended June 30, 2013

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Mill Levy	\$ 97,174	\$ 97,174	\$ 108,610	\$ 11,436
Point System	8,825	8,825	12,990	4,165
Miscellaneous (reimbursements)	100	100	652	552
Interest	145	145	122	(23)
Total revenues	<u>106,244</u>	<u>106,244</u>	<u>122,374</u>	<u>16,130</u>
Cash balance budgeted	<u>151,244</u>	<u>151,244</u>	<u>151,244</u>	<u>-</u>
Total revenues and cash balance budgeted	<u>\$ 257,488</u>	<u>\$ 257,488</u>	<u>273,618</u>	<u>16,130</u>
Expenditures:				
Advertising, Public Relations	\$ 1,000	\$ 1,000	\$ 229	771
Annual Audit Expenses	3,850	3,850	3,678	172
Bank Charge	115	115	36	79
Bonding/Liability Insurance	2,500	2,500	2,174	326
Building Expenses-telephone	12,000	12,000	9,986	2,014
Conservation Project Expenses (Acequias)	6,000	6,000	1,062	4,938
Contractual Services	15,000	15,000	2,691	12,309
Cost Share Expense (Noxious Weeds)	10,000	10,000	10,000	-
Dues and Subscriptions	1,500	1,500	1,306	194
Education Expense	3,500	3,500	1,114	2,386
Election Expense	3,000	3,000	232	2,768
Equipment-Machinery/Maintenance	15,000	15,000	988	14,012
Fees and Services (Bd. Travel/per diem)	12,500	12,500	8,046	4,454
Furniture/fixtures/Equipment-Office	5,000	5,000	-	5,000
Legal Counsel	8,000	8,000	-	8,000
Loan Principal/Interest Payments	16,000	16,000	15,017	983
Mileage	6,000	6,000	3,089	2,911
Office Supplies	5,500	5,500	1,536	3,964
Salaries and Benefits/5% COLA	32,000	32,000	29,403	2,597
Postage	1,500	1,500	858	642
Taxes	5,500	5,500	4,781	719
Training Workshops/Education Expense	8,000	8,000	3,563	4,437
Utilities (gas/water/electricity)	<u>6,000</u>	<u>6,000</u>	<u>4,407</u>	<u>1,593</u>
Total expenditures	<u>\$ 179,465</u>	<u>\$ 179,465</u>	<u>104,196</u>	<u>75,269</u>
Excess revenues over expenditures			<u>\$ 169,422</u>	<u>\$ 91,399</u>

**DEPARTMENT OF FINANCE AND ADMINISTRATION
LOCAL GOVERNMENT DIVISION
BUDGET AND FINANCE BUREAU
SOIL AND WATER CONSERVATION DISTRICT QUARTERLY FINANCIAL REPORT**

SUBMIT TO LOCAL GOVERNMENT DIVISION NOT LATER THAN ONE MONTH AFTER THE CLOSE OF EACH QUARTER. I HEREBY CERTIFY THAT THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.

Jo Ann N. Valdez, District Manager

S.W.C.D.: UPPER CHAMA
Period Ending: 06/30/13

YEAR TO DATE TRANSACTIONS PER BOOKS QUARTERLY REPORT

Fund #	FUND (1)	CASH BALANCE PER BOOKS July 1, 2012 (2)	REVENUES TO DATE (3)	NET TRANSFERS (4)	EXPENDITURES TO DATE (5)	BOOK BALANCE END OF PERIOD (6)	ADD: OUTSTANDING CHECKS (7)	LESS: DEPOSITS IN TRANSIT (8)	ADJUSTMENTS (9)	ADJUSTED BALANCE END OF PERIOD (10)	BALANCE PER BANK STATEMENTS (11)	DIFFERENCE
101	GENERAL FUND	151,244.23	122,373.91	-	104,196.02	169,422.12	630.20	-	(9)	170,052.32	170,052.32	(12)
218	INTERGOVERNMENTAL GRANTS	-	-	-	-	-	-	-	-	-	-	-
299	OTHER	-	-	-	-	-	-	-	-	-	-	-
400	DEBT SERVICE	-	-	-	-	-	-	-	-	-	-	-
	GRAND TOTAL	151,244.23	122,373.91	-	104,196.02	169,422.12	630.20	-	-	170,052.32	170,052.32	-

NOTE: USE DETAIL PAGES FROM ANNUAL BUDGET FORM IF NEEDED

*USER NOTES: (Please describe what any reserve requirements are used for.)

REVENUES	CURRENT QUARTER	YEAR TO DATE	APPROVED BUDGET	% OF BUDGET
General Fund 101				
Property Tax - Current Year	25,178.03	108,609.90	97,174.00	1.12
Property Tax - Delinquent	-	-	-	#DIV/0!
Property Tax - Penalty & Interest	-	-	-	#DIV/0!
Oil and Gas - Equipment	-	-	-	#DIV/0!
Oil and Gas - Production	-	-	-	#DIV/0!
Total Interest income From Bank Accounts and CDs	30.96	122.20	145.00	0.84
Hazardous Fuels Income	-	-	-	#DIV/0!
Grass Seed and or Tree Sales	-	-	-	#DIV/0!
Book Sales	-	-	-	#DIV/0!
Rent Revenue	-	-	-	#DIV/0!
Brush Control Materials	-	-	-	#DIV/0!
Noxious Weed Program	-	-	-	#DIV/0!
Conservation Sale Items	-	-	-	#DIV/0!
State Allotments	-	-	-	#DIV/0!
Miscellaneous	345.20	652.20	100.00	6.52
Point System	649.48	12,989.61	8,825.00	1.47
	-	-	-	#DIV/0!
TOTAL GENERAL FUND REVENUES	26,203.67	122,373.91	106,244.00	
Intergovernmental Grants 218				
University Grants	-	-	-	#DIV/0!
Federal Grants	-	-	-	#DIV/0!
State Grants	-	-	-	#DIV/0!
Local Grants	-	-	-	#DIV/0!
Private Grants	-	-	-	#DIV/0!
Legislative Funding	-	-	-	#DIV/0!
Miscellaneous	-	-	-	#DIV/0!
TOTAL GRANT REVENUES	-	-	-	n/a
Other 299				
Contract Services	-	-	-	#DIV/0!
Educational Income	-	-	-	#DIV/0!
Charges for Services	-	-	-	#DIV/0!
Capital Outlay Funded	-	-	-	#DIV/0!
Project Income	-	-	-	#DIV/0!
Emergency Watershed Protection Program	-	-	-	#DIV/0!
Project Income	-	-	-	#DIV/0!
Project Expenses Income	-	-	-	#DIV/0!
Silent Auctions	-	-	-	#DIV/0!
Miscellaneous	-	-	-	#DIV/0!
Other Fund 299 FROM DETAIL PAGE TAB	-	-	-	#DIV/0!
TOTAL OTHER 299	-	-	-	
Debt Service 400				
General Obligation Bonds				
General Obligation - (Property Tax)	-	-	-	#DIV/0!
Investment Income	-	-	-	#DIV/0!
Other - Misc	-	-	-	#DIV/0!
Revenue Bonds				
Bond Proceeds	-	-	-	#DIV/0!
Revenue Bonds - GRI	-	-	-	#DIV/0!
Investment Income	-	-	-	#DIV/0!
Revenue Bonds - Other	-	-	-	#DIV/0!
Miscellaneous (NMFA, BOF, etc.)				
Investment Income	-	-	-	#DIV/0!
Loan Revenue	-	-	-	#DIV/0!
TOTAL DEBT SERVICE REVENUES	-	-	-	
GRAND TOTALS REVENUES- CURRENT QTR	26,203.67	122,373.91	106,244.00	

NOTE: If this report is for the first quarter YEAR TO DATE will be the same as the CURRENT QUARTER.

SWCD: Upper Chama
UPPER CHAMA

Period Ending: 6/30/2013

EXPENDITURES	CURRENT QUARTER	YEAR TO DATE	APPROVED BUDGET	% OF BUDGET
GENERAL FUND 101				
Personnel Services, Salaries including Benefits	6,738.23	29,402.97	32,000.00	0.92
GRT Taxes	1,368.26	4,780.86	5,500.00	0.87
Mileage and Per Diem	139.86	3,088.86	6,000.00	0.51
Fees and Services Expenses	1,349.95	8,046.00	12,500.00	0.64
Office Expense	76.91	1,536.12	5,500.00	0.28
Building Expenses (e.g. rent/maintenance)	2,798.66	9,985.95	12,000.00	0.83
Legal Counsel	-	-	8,000.00	-
Election Expense	34.94	231.62	3,000.00	0.08
Education expense	543.96	1,114.45	3,500.00	0.32
Bank Charge	9.00	36.00	115.00	0.31
Advertising,Public Relations (e.g. newsletter)	-	229.03	1,000.00	0.23
Annual Audit Expenses	-	3,678.38	3,850.00	0.96
Dues and Board Fees	-	1,306.17	1,500.00	0.87
Furniture/fixture/Office Equipment	-	-	5,000.00	-
Postage Expense	70.00	857.65	1,500.00	0.57
Cost Sharing Expense	5,000.00	10,000.00	10,000.00	1.00
Brush Control Expenses	-	-	-	#DIV/0!
Training and Workshops	-	3,563.25	8,000.00	0.45
Contractual Services Expenses	127.74	2,691.24	15,000.00	0.18
Utilities (Electricity, Natural Gas, Propane, Water, Sewer)	832.47	4,406.81	6,000.00	0.73
Miscellaneous (e.g. Equipment and machinery)	56.78	987.50	15,000.00	0.07
TOTAL GENERAL FUND EXPENDITURES	19,146.76	85,942.86	154,965.00	
Intergovernmental Grants Expenditures 218				
University Grants	-	-	-	#DIV/0!
Federal Grants	-	-	-	#DIV/0!
State Grants	-	-	-	#DIV/0!
Local Grants	-	-	-	#DIV/0!
Private Grants	-	-	-	#DIV/0!
Legislative Funding	-	-	-	#DIV/0!
Other	-	-	-	#DIV/0!
Total Grant Expenditures				
Other Expenditures 299				
Loan Payments	-	-	-	#DIV/0!
Capital Outlay Expenses/Capital Projects	-	-	-	#DIV/0!
Conservation and Environmental Control Expenses	1,061.85	1,061.85	6,000.00	0.18
Bonding/Liability Insurance	-	2,174.00	2,500.00	0.87
All Other Insurance	-	-	-	#DIV/0!
Loan Program Expenses Including Loan Repayments	3,754.26	15,017.31	16,000.00	0.94
Miscellaneous Expenses	-	-	-	#DIV/0!
Other Fund 299 FROM DETAIL PAGE TAB	-	-	-	#DIV/0!
Total Other Expenditures	4,816.11	18,253.16	24,500.00	0.75
Debt Service 400				
Bond Payments Principal	-	-	-	#DIV/0!
Bond Payments- Interest	-	-	-	#DIV/0!
Other Debt Service	-	-	-	#DIV/0!
Total Debt Service Expenditures	-	-	-	#DIV/0!
TOTAL EXPENDITURES Current Quarter	23,962.87	104,196.02	179,465.00	

NOTE: If this report is for the first quarter YEAR TO DATE will be the same as the CURRENT QUARTER.

UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT		Period Ending	6/30/2013	
OTHER FUNDS - 299	Current Quarter	Year To Date	FISCAL YEAR 2013 Approved Budget	VARIANCE FY 12 - FY 13 INC./ (DEC) %
This sheet is optional for tracking items separately and will automatically populate the Revenue and Expenditure tabs				
REVENUES	-	-	-	#DIV/0!
EXPENDITURES	3,754.26	15,017.31	16,000.00	0.94
OTHER FINANCING SOURCES	-	-	-	#DIV/0!
TOTAL OTHER FINANCING SOURCES	-	-	-	#DIV/0!
Bonding and Liability Insurance				
REVENUES	-	-	-	#DIV/0!
EXPENDITURES	-	2,174.00	2,500.00	0.87
OTHER FINANCING SOURCES	-	-	-	#DIV/0!
TOTAL OTHER FINANCING SOURCES	-	-	-	#DIV/0!
(enter fund name here)				
REVENUES	-	-	-	#DIV/0!
EXPENDITURES	-	-	-	#DIV/0!
OTHER FINANCING SOURCES	-	-	-	#DIV/0!
TOTAL OTHER FINANCING SOURCES	-	-	-	#DIV/0!
(enter fund name here)				
REVENUES	-	-	-	#DIV/0!
EXPENDITURES	-	-	-	#DIV/0!
OTHER FINANCING SOURCES	-	-	-	#DIV/0!
TOTAL OTHER FINANCING SOURCES	-	-	-	#DIV/0!
(enter fund name here)				
REVENUES	-	-	-	#DIV/0!
EXPENDITURES	-	-	-	#DIV/0!
OTHER FINANCING SOURCES	-	-	-	#DIV/0!
TOTAL OTHER FINANCING SOURCES	-	-	-	#DIV/0!
(enter fund name here)				
REVENUES	-	-	-	#DIV/0!
EXPENDITURES	-	-	-	#DIV/0!
OTHER FINANCING SOURCES	-	-	-	#DIV/0!
TOTAL OTHER FINANCING SOURCES	-	-	-	#DIV/0!
(enter fund name here)				
REVENUES	-	-	-	#DIV/0!
EXPENDITURES	-	-	-	#DIV/0!
OTHER FINANCING SOURCES	-	-	-	#DIV/0!
TOTAL OTHER FINANCING SOURCES	-	-	-	#DIV/0!
(enter fund name here)				
REVENUES	-	-	-	#DIV/0!
EXPENDITURES	-	-	-	#DIV/0!
OTHER FINANCING SOURCES	-	-	-	#DIV/0!
TOTAL OTHER FINANCING SOURCES	-	-	-	#DIV/0!
FUND 299 SUMMARY				
Revenue - TOTAL	-	-	-	#DIV/0!
Expenditures - TOTAL	3,754.26	17,191.31	18,500.00	0.93
TOTAL NET (IN/OUT) OTHER FINANCING SOURCES	-	-	-	#DIV/0!
TOTAL FUND 299 Balance	(3,754.26)	(17,191.31)	(18,500.00)	0.93

**STATE OF NEW MEXICO
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT**

**Schedule of Findings and Responses
Year Ended June 30, 2013**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
Payments to Board Members	D	N/A	2013-1
Follow-up on Prior Year Findings:			
None	N/A	N/A	N/A

*** Legend for Findings:**

- A. Fraud
- B. Illegal Act(s)
- C. Internal Control Deficiency(ies)
- D. Noncompliance

**STATE OF NEW MEXICO
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT**

**Schedule of Findings and Responses
Year Ended June 30, 2013**

2013-1

Payments to Board Members

Criteria

Internal Revenue Code Section 3401 (c) defines employee to include an “officer, elected official of any political subdivision thereof, or any agency of instrumentality. Case law provides further support in that governmental officials have been delegated sovereign powers of a government to be exercised for the benefit of the public. They render services defined by law and functions established by and for the position held. An official’s actions are controlled by the “position” with the governmental entity. Hence, the employer-employee relationship exists and board members are employees.

Condition

The Upper Chama Soil and Water Conservation District (UCSWCD) pays their board members for attending Board meetings but does not treat these payments as employee wages and, therefore, does not withhold, match FICA or Medicare or pay in payroll taxes.

Cause

The UCSWCD was not aware of the requirements of Internal Revenue Code Section 3401 (c).

Effect

The UCSWCD has not complied with Internal Revenue Code Section 3401 (c).

Recommendation

We recommend that the UCSWCD treat Board member payments for attending meetings as employee wages to comply with Internal Revenue Code Section 3401 (c) .

Entity Response

“The UCSWCD corrected this immediately and began paying Board members as employees subject to appropriate withholdings as determined by individual W-4 forms.”

**STATE OF NEW MEXICO
UPPER CHAMA SOIL AND WATER CONSERVATION DISTRICT**

**Exit Conference
Year Ended June 30, 2013**

EXIT CONFERENCE

The report contents were discussed at an exit conference held on October 26, 2013 with the following in attendance:

Upper Chama Soil and Water Conservation District

Horace Leyba, Board Chairman
Lorrie A.V. Leyba, Secretary-Treasurer
Jo Ann N. Valdez, District Manager

Accounting Firm

James R. (Jim) Macias, CPA