

State of New Mexico
OFFICE OF THE STATE AUDITOR

STATE OF NEW MEXICO

UTTE CREEK

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

8046

STATE OF NEW MEXICO
UTE CREEK SOIL AND WATER CONSERVATION DISTRICT

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JUNE 30, 2005

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STATE AUDITOR

STATE OF NEW MEXICO
UTTE CREEK SOIL AND WATER CONSERVATION DISTRICT
OFFICIAL ROSTER
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
Robert L. Casados	Chairperson
Bill Brockman	Vice-Chairperson
Tuda Libby Crews	Secretary/Treasurer
Harry Hopson	Supervisor
David Whatley	Supervisor

<u>District Personnel</u>	<u>Title</u>
Sherita Fluhman	Administrative Assistant



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. Robert L. Casados, Chairperson
and Members of the Board of Supervisors
Ute Creek Soil and Water Conservation District
P.O. Box 68
Roy, New Mexico 87743

We have audited the accompanying financial statements of the governmental activities, the general fund and the budgetary comparison of the Ute Creek 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

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 9, 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 9, 2006

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

	Governmental Activities
Assets	
Cash	\$ 51,308
Interest receivable	99
Capital assets, net	9,926
Total assets	61,333
Liabilities	
Accrued payroll	349
Total liabilities	349
Net Assets	
Invested in capital assets	9,926
Unrestricted	51,058
Total net assets	\$ 60,984

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

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

Exhibit 2

	Governmental Activities
Program Expenses:	
Conservation:	
Awards	\$ 81
Dues	1,355
Contract labor	1,133
Personal services	2,085
Education/Information/Training	1,015
Meeting/Special meeting	4,330
Travel	1,950
Conservation project	46
Office supplies	3,483
Depreciation expense	1,989
Insurance	103
Total program expenses	17,570
Program Revenues:	
Total program revenues	-
Net program (expense) revenue	(17,570)
General Revenues:	
State allocation	9,775
Capital assets donated - not restricted to specific programs	4,989
Donations - not restricted to specific programs	3,887
Interest	720
Miscellaneous	75
Special item - loss on sale of capital asset	(884)
Total general revenues and special item	18,562
Change in net assets	992
Net assets at beginning of year	59,992
Net assets at end of year	\$ 60,984

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

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

	General Fund
Assets	
Cash	\$ 51,308
Interest receivable	99
Total assets	\$ 51,407
Liabilities and fund balance	
Liabilities:	
Accrued payroll	\$ 349
Total liabilities	349
Fund balance:	
Unreserved, undesignated	51,058
Total fund balance	51,058
Total liabilities and fund balance	\$ 51,407

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

STATE OF NEW MEXICO
 UTE CREEK 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				
State allocation	\$ 10,297	\$ 10,297	\$ 9,775	\$ (522)
Interest	600	600	679	79
Donations	-	-	3,887	3,887
Sale of capital asset	-	-	2,955	2,955
Other	-	-	75	75
Total revenues	10,897	10,897	17,371	6,474
Cash balance budgeted	2,603	9,445		
Total revenues and cash balance	<u>\$ 13,500</u>	<u>\$ 20,342</u>		
Expenditures				
Current:				
Awards	\$ 150	\$ 150	\$ 81	\$ 69
Dues	1,750	1,750	1,355	395
Office supplies	350	4,324	3,483	841
Insurance	150	150	103	47
Contract labor	1,800	1,800	1,133	667
Payroll	-	1,455	1,575	(120)
Payroll taxes	-	-	161	(161)
Education/Information/Training	300	1,113	1,015	98
Meeting/Special meeting	4,500	4,200	4,330	(130)
Travel	1,250	2,150	1,950	200
Watershed maintenance	500	500	-	500
Conservation project	1,000	1,000	46	954
Public Relations/Marketing	1,500	1,500	-	1,500
Miscellaneous	250	250	-	250
Capital outlay	-	-	1,857	(1,857)
Total expenditures	<u>\$ 13,500</u>	<u>\$ 20,342</u>	<u>\$ 17,089</u>	<u>\$ 3,253</u>

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

STATE OF NEW MEXICO
UTE CREEK SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED 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)	\$ 51,058
Capital assets, net of accumulated depreciation	<u>9,926</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 60,984</u></u>

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

STATE OF NEW MEXICO
 UTE CREEK SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Exhibit 4

	General Fund
Revenues	
State allocation	\$ 9,775
Donation	3,887
Donated capital assets	4,989
Proceeds from sale of capital asset	2,955
Interest	720
Miscellaneous	75
	22,401
Expenditures	
Conservation:	
Current:	
Awards	81
Dues	1,355
Contract labor	1,133
Personal services	2,085
Education/Information/Training	1,015
Meeting/special meeting	4,330
Travel	1,950
Conservation project	46
Office supplies	3,483
Insurance	103
Capital Outlay	6,846
	22,427
Net change in fund balance	(26)
Fund balance, beginning of year	51,084
Fund balance, end of year	\$ 51,058

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

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

Net change in fund balance-Governmental Funds (Exhibit 4) \$ (26)

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. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 6,846	
Depreciation expense	<u>(1,989)</u>	4,857

In the statement of activities only the loss on the sale of the capital asset is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net assets differs from the change in fund balance by the book value of the capital asset sold.

Change in net assets - Statement of Activities (Exhibit 2)		<u>(3,839)</u>
	<u>\$ 992</u>	

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

STATE OF NEW MEXICO
UTE CREEK SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Ute Creek 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, a phase three government, was required to implement GASB Statement 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* in fiscal year 2004. 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

STATE OF NEW MEXICO
UTR CREEK SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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 business-type or fiduciary 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. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District currently does not receive any property taxes or grants.

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. 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.

Interest associated with the current fiscal period is 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
UTTE CREEK SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

The District reports the following major governmental fund: 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 and Cash Equivalents

The District's cash and cash equivalents are considered to be demand deposits and short term investments (two certificates of deposit) with original maturities of six months or less 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, which includes equipment is reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by state law as assets with an initial cost of \$1,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized. There was no infrastructure required to be capitalized and depreciated.

STATE OF NEW MEXICO
UTTE CREEK SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Equipment of the District is depreciated using the straight line method over the following estimated useful life:

Agricultural equipment	7 years
Computer	5 years

3. Compensated Absences

As of June 30, 2005, the District does not offer its employee any annual vacation or sick leave benefits.

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.
4. Prior to June 20, the approved budget is submitted to the State of New Mexico, Department of Finance and Administration, Local Government

STATE OF NEW MEXICO
 UTE CREEK SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

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 Budget to GAAP Basis Financial Statements

	General	
	Fund	
Non-GAAP revenues (Exhibit 5)	\$ 17,371	
Prior year receivables	(58)	
Current year receivables	99	
Donated capital assets	4,989	
GAAP revenues (Exhibit 4)	<u>\$ 22,401</u>	
Non-GAAP expenditures (Exhibit 5)	\$ 17,089	
Current year accrued payroll	349	
Donated capital assets	4,989	
GAAP expenditures (Exhibit 4)	<u>\$ 22,427</u>	

III. Detailed Notes on all Funds

A. Cash

As of June 30, 2005, the District had a carrying amount of deposits of \$51,308. The bank balances for deposits were \$53,437. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$2,129. The total bank balance of \$53,437 consisted of the following:

<u>First National Bank of NM</u>	
Demand deposits	\$ 7,466
Less: FDIC coverage	(7,466)
Amount uninsured	<u>\$ -0-</u>

STATE OF NEW MEXICO
 UTE CREEK SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

<u>First National Bank of NM</u>	
Certificate of Deposit	\$ 20,652
Less: FDIC coverage	(20,652)
Amount uninsured	<u>\$ -0-</u>

<u>Farmers and Stockmens Bank</u>	
Certificate of Deposit	\$ 25,319
Less: FDIC coverage	(25,319)
Amount uninsured	<u>\$ -0-</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2005, none of the government's bank balance of \$53,437 was exposed to custodial credit risk. All of the District's deposits were insured by FDIC.

B. Capital Assets

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

	6/30/2004		6/30/2005
Governmental activities:	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>
Equipment	\$ 9,978	\$ 6,846	\$ (4,989)
Totals at historical cost	9,978	6,846	(4,989)
Less accumulated depreciation for:			
Equipment	(1,070)	(1,989)	1,150
Total accumulated depreciation	(1,070)	(1,989)	1,150
Capital assets, net	<u>\$ 8,908</u>	<u>\$ 4,857</u>	<u>\$ (3,839)</u>
			<u>\$ 9,926</u>

IV. Other Information

A. Employee Retirement Benefits and Post-Employment Benefits

The District does not offer a pension plan, deferred compensation plan or post-employment benefits to its employee as of June 30, 2005.

STATE OF NEW MEXICO
 UTE CREEK SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

B. Risk Management

The District is exposed to various risks of loss due to torts, theft or damage of assets, errors and omissions and natural disasters. The District's supervisors and employees are covered by an errors and omissions liability policy purchased by the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,000,000 for each wrongful act and \$1,000,000 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 \$20,000 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. Joint Powers Agreement – Canadian River Riparian Restoration Project

During the 2004 session, the New Mexico State Legislature appropriated \$4.8 million to the New Mexico Department of Agriculture to remove salt cedar and Russian Olive from the Rio Grande, Pecos and Canadian River Basins. As a result of this appropriation, a joint powers agreement was established for this project. The terms of the agreement are summarized as follows:

Date of agreement:	June 29, 2004
Participants:	New Mexico Association of Conservation Districts and the Canadian River, Colfax, Guadalupe, Mesa, Mora-Wagon Mound, Northeastern, Tierra Y Montes and Ute Creek Soil and Water Conservation Districts
Responsible party for operations:	Mesa Soil and Water Conservation District
Description:	Canadian River Riparian Restoration Project
Beginning date of agreement:	July 1, 2004
Total estimated amount:	\$1,433,333
Amount expended to date:	\$720,143
Audit responsibility:	New Mexico State University, New Mexico Department of Agriculture
Fiscal agent:	Mesa Soil and Water Conservation District
The government agency where revenues and expenditures are reported:	New Mexico State University



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. Robert L. Casados, Chairperson
and Members of the Board of Supervisors
Ute Creek Soil and Water Conservation District
P.O. Box 68
Roy, New Mexico 87743

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Ute Creek Soil and Water Conservation District (District) as of and for the year ended June 30, 2005 and have issued our report dated February 9, 2006 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 items 04-01 and 04-02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely

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period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above, is a 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and recommendations as item 04-02.

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 9, 2006

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

STATUS OF PRIOR YEAR AUDIT FINDINGS

- 04-01. No Supporting Documentation for Expenditures (Repeated & modified)
- 04-02. Missing Per Diem and Mileage Forms (Repeated & modified)

CURRENT YEAR AUDIT FINDINGS

- 04-01. No Supporting Documentation for Expenditures

Condition

During our audit of cash disbursements, we found five items out of forty-six items tested that did not have any invoices and receiving reports to substantiate any of the five payments totaling \$798.55.

Criteria

Per state law, Section 13-1-158.A NMSA 1978, "No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications."

Per state law, Section 6-6-3 NMSA 1978, "every local public body shall keep all the books, records and accounts in their respective offices in the form prescribed by the local government division, make all reports as may be required by the local government division and conform to the rules and regulations adopted by the local government division." The Local Government Division of the Department of Finance and Administration (LGD/DFA) has published *Budgeting and Financial Accounting Manual for Local Governments* as authorized by 6-6-3 NMSA 1978 for Districts to comply with.

Effect

The District is in violation of the State Procurement Code and related laws and regulations. The District was unable to substantiate that the payments were for goods and services that were actually needed or received by the District. Fraud may have occurred

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

and can still occur if payments are made without proper supporting documentation. There is a complete lack of control over the procurement and cash disbursement process.

Cause

The Board of Supervisors neglected to ensure that the District was complying with applicable purchasing laws, regulations and related documentation requirements.

Recommendation

The District needs to locate the missing documentation to substantiate the expenditures. Before any amounts are paid to anyone, the District needs to document the date the goods or services were received and by whom. The District should not pay for anything unless an invoice exists, the goods or services have been received, and a payment voucher has been approved by the Board of Supervisors. The District needs to maintain all expenditure documentation for a minimum of three years.

Management's Response

Management concurs with the findings of FY04/05 audit for lack of documentation for cash disbursements for the purchase of goods and services, mileage and per diem and any other type of purchase. Management will take the following corrective steps to avoid this happening again: 1) invoices/vouchers/receiving reports will be turned in prior to cash disbursements being made; 2) a minimum of 3 quotes (telephone, verbal, written) will be obtained prior to purchase being made for all purchases over \$250; and 3) the District will adopt a formal policy on the procurement code. The District will follow the procurement code as outlined by the State of New Mexico in all purchases and cash disbursements.

04-02. Missing Per Diem and Mileage Forms

Condition

During our test work of cash disbursements, we found six items out of forty-six items tested totaling \$1,378 that had no per diem and mileage forms to support payments made.

Criteria

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In accordance with the State's Per Diem and Mileage Act, the Regulations Governing the Per Diem and Mileage Act (Section 2.42.2 of the New Mexico Administrative Code) shall apply when the person seeks a payment of per diem and mileage or reimbursement of expenses in the capacity of a salaried or nonsalaried public officer or employee of a governmental entity. Per diem and mileage forms and vouchers are required to be completed before a public employee or official can be reimbursed for per diem and mileage expenses.

Effect

The District is in violation of the State's Per Diem and Mileage Act. The District is unable to substantiate the payments made to the board members for per diem and mileage. A lack of control exists over the per diem and mileage reimbursement process. Fraud, waste and abuse could easily occur if the per diem and mileage regulations are not complied with.

Cause

The Board of Supervisors neglected to ensure that the administrative assistant and the District are complying with the State's Per Diem and Mileage Act and applicable regulations and documentation requirements.

Recommendation

The Board of Supervisors should not approve a payment voucher for per diem and mileage expenses unless there is a completed travel reimbursement form on file that contains all of the information required by the *Regulations Governing the Per Diem and Mileage Act*. The District needs to file and maintain all expenditure documentation for a minimum of three years.

Management's Response

Management concurs with the findings of FY 04/05 audit for lack of documentation for cash disbursements for the purchase of goods and services, mileage and per diem and any other type of purchase. Management will take the following corrective steps to avoid this occurring again: 1) per diem and mileage reimbursement forms/receipts/vouchers will be turned in prior to cash disbursement being made; and 2) the District will adopt a formal policy on per diem and mileage. The District will follow the *Regulations Governing the*

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Per Diem and Mileage Act as outlined by the State of New Mexico in all cash disbursements.

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 9, 2006, an exit conference was held at the District Office with Robert L. Casados, Chairperson and Sherrita Fluhman, Administrative Assistant of the Ute Creek Soil and Water Conservation District. Representing the Office of the State Auditor was Rosemary Whitegeese, Audit Supervisor. The results of the audit were discussed.