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State of New Mexico
OFFICE OF THE STATE AUDITOR

STATE OF NEW MEXICO
WESTERN MORA
SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2005

(With Independent Auditor's Report Thereon)



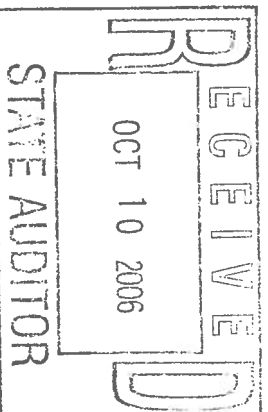
Domingo P. Martinez, CGFM
State Auditor

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STATE OF NEW MEXICO
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT

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JUNE 30, 2005

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STATE OF NEW MEXICO
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
John Abeyta	Chairperson
Richard Olivas	Vice-Chairman
Ella Arellano	Secretary
Robert Ortega	Supervisor
Philip Cantu	Supervisor
<u>District Personnel</u>	<u>Title</u>
Dora Pino	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. John Abeyta, Chairman
and Members of the Board of Supervisors
Western Mora Soil and Water Conservation District
P. O. Box 389
Mora, New Mexico 87732

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Western Mora 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 24, 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 24, 2006

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

Exhibit 1

	Governmental Activities
Assets	
Cash	\$ 44,495
Accounts receivable	1,656
Capital assets, net	70,128
Total assets	116,279
Liabilities	
Accounts payable	1,552
Note Payable to NMFA	
Due in one year	2,299
Due in more than one year	6,897
Total liabilities	10,748
Net Assets	
Invested in capital assets	70,128
Unrestricted	35,403
Total net assets	\$ 105,531

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

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

	Governmental Activities
Program Expenses:	
Conservation:	
Contract services	\$ 12,409
Office expense	1,784
Meetings and workshops	200
Supervisor fees	4,170
Dues	950
Equipment operations	944
Bond fee	100
Awards	80
Information and education	911
Conservation projects	7,907
Mileage and per diem	2,485
Building operation	10,277
WUI expenditures	38,705
Bad debt expense	2,084
Interest	14
Depreciation	10,053
Total program expenses	<u>93,073</u>
Program Revenues:	
WUI Grant Income	35,317
Rental Income - NRCS	17,093
Rental Income- Equipment	2,713
Rental Income- Other	1,775
Total program revenues	<u>56,898</u>
Net program (expense) revenue	<u>(36,175)</u>
General Revenues:	
NMDA allotment	6,745
Property taxes	27,655
Miscellaneous income	57
Total general revenues	<u>34,457</u>
Change in net assets	(1,718)
Net assets at beginning of year	<u>107,249</u>
Net assets at end of year	<u>\$ 105,531</u>

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

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

Exhibit 3

	General Fund
Assets	
Cash	\$ 44,495
Accounts receivable	1,655
Total assets	<u>\$ 46,150</u>
Liabilities and fund balance	
Liabilities:	
Accounts payable	\$ 1,552
Total liabilities	<u>1,552</u>
Fund balance:	
Unreserved, designated for subsequent year's expenditures	43,800
Unreserved, undesignated	798
Total fund balance	<u>44,598</u>
Total liabilities and fund balance	<u>\$ 46,150</u>

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

STATE OF NEW MEXICO
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT
FINANCIAL STATEMENT RECONCILIATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS:

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)	\$ 44,598
Capital assets, net of accumulated depreciation	70,128
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Notes payable	<u>(9,195)</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 105,531</u></u>

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

STATE OF NEW MEXICO
 WESTERN MORA 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	
State allotment	\$ 6,745
Property taxes	27,655
Rental income- building	17,093
Rental income- equipment	2,713
Rental income- other	1,775
WUI Grant income	35,317
Miscellaneous income	57
Total revenues	91,355
Expenditures	
Conservation:	
Current:	
Contractual services	12,410
Office expense	1,784
Meetings & workshop	200
Supervisor fees	4,170
Dues	950
Equipment operations	944
Bond fee	100
Awards	80
Information & education	911
Conservation projects	7,907
Mileage & per diem	2,485
Building operations	10,277
WUI expenditure	38,705
Bad debt expense	2,084
Debt Service:	
Principal payments	4,612
Interest	14
Capital outlay-equipment	7,850
Total expenditures	95,483
Net change in fund balance	(4,128)
Fund balance beginning of year	48,726
Fund balance end of year	\$ 44,598

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

STATE OF NEW MEXICO
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT
FINANCIAL STATEMENT RECONCILIATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

RECONCILIATION OF THE STATEMENT OF ACTIVITIES TO THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES:

Net change in fund balance - Governmental Funds (Exhibit 4) \$ (4,128)

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	7,850
Depreciation expense	(10,052)

Repayment of principal on long-term debt (note payable) is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount repaid in the current year:

	<u>4,612</u>
Change in net assets - Statement of Activities (Exhibit 2)	<u><u>\$ (1,718)</u></u>

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

STATE OF NEW MEXICO
WESTERN MORA 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

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
State allocation	\$ 6,500	\$ 6,500	\$ 6,745	\$ 245
Mill levy	25,000	25,000	27,504	2,504
Rental income- building	11,820	11,820	16,543	4,723
Rental income- equipment	2,000	2,000	2,713	713
Rental income- other	-	-	1,775	1,775
WUI Grant income	40,000	40,000	45,954	5,954
Miscellaneous income	-	-	57	57
Total revenues	85,320	85,320	101,291	15,971
Cash balance budgeted	40,000	40,000		
Total revenues and cash	\$ 125,320	\$ 125,320		
Expenditures				
Current:				
Contract services	\$ 14,000	\$ 14,000	\$ 11,486	\$ 2,514
Administrative fees	1,500	1,500	-	1,500
Office expense	4,000	4,000	1,784	2,216
Advertising	1,000	1,000	-	1,000
Meeting & workshop	2,400	2,400	200	2,200
Supervisor fees	6,000	6,000	4,050	1,950
Dues	950	950	950	-
Equipment operations	8,000	8,000	547	7,453
Bond fee	150	150	100	50
WUI expenditures	40,000	40,000	38,705	1,295
Awards	500	500	80	420
Information & education	8,000	8,000	911	7,089
Mileage & per diem	6,000	6,000	2,486	3,514
Building operation	11,000	11,000	9,863	1,137
Equipment purchase	13,200	13,200	8,168	5,032
Debt service- NMFC loan	-	-	4,626	(4,626)
Conservation projects	8,620	8,620	7,906	714
Total expenditures	\$ 125,320	\$ 125,320	\$ 91,862	\$ 33,458

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

STATE OF NEW MEXICO
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

B. Government-wide and Fund Financial Statements

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

STATE OF NEW MEXICO
WESTERN MORA 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 such as building and equipment rentals 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.

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, grants 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:

STATE OF NEW MEXICO
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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 are considered to be demand deposits.

2. Receivables and Payables

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 Mora County Treasurer and are remitted to the District in the month following collection.

Accounts payable in the general fund represent routine monthly bills for services rendered and products purchased which are paid in the following month.

3. Capital Assets

Capital assets, which include land and building, equipment (including software), and vehicles 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 \$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

STATE OF NEW MEXICO
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

the value or extend the life of the asset are not capitalized. Currently, the District owns no infrastructure required to be capitalized and depreciated under GASB Statement 34.

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

Buildings	39 years
Vehicles (Used)	2 years
Farm Equipment	5 years
Farm Equipment (Used)	2 Year
Computer Equipment	5 years
Computer Software	5 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. Net assets are restricted for amounts invested in capital assets (net of related debt).

Fund balance as reported in Exhibit 3 represents assets less liabilities of the governmental fund types. There were no reservations of fund balance at fiscal year-end.

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
WESTERN MORA 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

	Fund
Non-GAAP revenues (Exhibit 5)	\$ 101,291
Prior year receivables	(13,675)
Current year receivables	1,655
Allowance for Doubtful Accounts	2,084
GAAP revenues (Exhibit 4)	\$ 91,355
Non-GAAP expenditures (Exhibit 5)	91,862
Prior year payable	(134)
Current year accounts payable	1,551
Prior year pre-paid expenses	120
Bad debt expense	2,084
GAAP expenditures (Exhibit 4)	\$ 95,483

III. Detailed Notes on all Funds

A. Cash

As of June 30, 2005, the District had a carrying amount of deposits of \$44,475. The bank balances for deposits were \$53,837. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$9,472 and irreconcilable difference of \$110. The total bank balance of \$53,837 consisted of the following:

The Bank of Las Vegas	\$ 53,513
Demand deposits	(53,513)
Less: FDIC coverage	-
Amount uninsured	\$ -0-

STATE OF NEW MEXICO
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

<u>First Security Bank</u>	
Money Market Account	\$ 324
Less: FDIC coverage	(324)
Amount uninsured	<u>\$ -0-</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of 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, the District's bank balance was not exposed to custodial credit risk since it was fully insured by the FDIC.

B. Accounts Receivable

Accounts receivable consisted of following. (All receivables were considered to be fully collectible.)

Rent due from NRCS	\$ 550
Property taxes – Mora County	<u>1,106</u>
Total	<u>\$1,656</u>

STATE OF NEW MEXICO
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

C. Capital Assets

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

Description	Balance	Additions	Deletions	Balance
	6/30/04			6/30/05
Assets not being depreciated:				
Land	\$ 8,943	\$ -	\$ -	\$ 8,943
Assets being depreciated:				
Buildings	\$ 61,061	\$ -	\$ -	\$ 61,061
Vehicles	2,192	-	-	2,192
Equipment	42,476	7,850	-	50,326
Totals	<u>\$ 105,729</u>	<u>\$ 7,850</u>	<u>\$ -</u>	<u>\$ 113,579</u>
Less accumulated depreciation:				
Buildings	\$ (21,161)	\$ (3,116)	\$ -	\$ (24,277)
Vehicles	(548)	(5,842)	-	(6,390)
Equipment	(20,631)	(1,096)	-	(21,727)
Total accumulated depreciation	<u>\$ (42,340)</u>	<u>\$ (10,054)</u>	<u>\$ -</u>	<u>\$ (52,394)</u>
Total capital assets being depreciated, net	<u>\$ 63,389</u>	<u>\$ (2,204)</u>	<u>\$ -</u>	<u>\$ 61,185</u>
Total capital assets, net	<u>\$ 72,332</u>	<u>\$ (2,204)</u>	<u>\$ -</u>	<u>\$ 70,128</u>

D. Long-Term Debt

Changes in Long-term Liabilities

Long-term debt activity for the year ended June 30, 2005 was as follows:

STATE OF NEW MEXICO
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

	Balance 6/30/04	Increases	Decreases	Balance 6/30/05	Amount due within one year
NMFA	<u>\$ 13,809</u>	\$ -	<u>\$ 4,612</u>	<u>\$ 9,197</u>	<u>\$ 2,299</u>
Totals	<u>\$ 13,809</u>	<u>\$ -</u>	<u>\$ 4,612</u>	<u>\$ 9,197</u>	<u>\$ 2,299</u>

E. 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 \$5,000 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.

F. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.



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. John Abeyta, Chairman
and Members of the Board of Supervisors
Western Mora Soil and Water Conservation District
P. O. Box 389
Mora, New Mexico 87732

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Western Mora Soil and Water Conservation District (District) as of and for the year ended June 30, 2005 and have issued our report dated February 24, 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 items 04-01 and 04-03.

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, of the reportable conditions described above, we do not consider these items to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items 04-03 and 05-01.

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 24, 2006

STATE OF NEW MEXICO
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2005

STATUS OF PRIOR YEAR AUDIT FINDINGS

- 04-01. Inaccurate Cash Reconciliations. - Repeated and modified
- 04-02. Receipt book & Deposit Test. - Resolved.
- 04-03. Overpayments to WUI Program Recipients – Repeated and modified.
- 04-04. Non Payment of Annual Loan Installment Due to NMFA - Resolved

CURRENT YEAR AUDIT FINDINGS

04-01. Inaccurate Cash Reconciliations

Condition

The District's ending book balance was inconsistent with the reconciled bank balance. There was an irreconcilable difference of \$110 between the two totals.

Criteria

Generally accepted accounting principles require that bank balances be accurately reconciled in a timely manner. As the oversight agency, the Department of Finance and Administration (DFA) requires that the District maintain accurate accounting records and file accurate and timely reports to DFA.

Effect

Financial information to reported to the board of supervisors and outside, third parties such as DFA was misstated.

Cause

The reconciliation between bank balance and book balance is not done correctly.

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Recommendations

Corrections, if necessary, should be made with a new correcting entry when the error is found rather than going back to the date when error was made and deleting or correcting the entry made erroneously. One of the purposes of reconciliations between books and bank statements is to detect any errors made and make correcting entries as soon as possible.

District's Response

The District Clerk will now include the bank balance in the minutes. All reports that are submitted to DFA are up to date with all the districts information. DFA has never cited the District for incorrect reports. If any errors are detected they will be corrected at the time of the findings rather than going back to the actual date of the error. All corrected reports will be sent to DFA with an explanation of the error.

04-03. Overpayments to WUI Program Recipients

Condition

In the fiscal year ending June 30, 2004, two landowners, Steven Jordan and Chere Reigger who participated in the WUI program were overpaid by \$474 and \$1,610 respectively. The State Forestry found these errors while calculating the reimbursements to the District. Steven Jordan has responded that he will not pay back this amount. The matter with Chere Reigger is not yet finalized. These amounts were not recorded as "Accounts Receivables" in district's books. As well, no action has been taken to ensure collection of these overpayments.

Criteria

Section 6-10-2 states, "It is the duty of every public official or agency of this state that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each day's business. Except as may be otherwise provided by law, the cash record is a public record and should be open to public inspection."

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Good accounting practices also require that overpayments be recorded in the books as 'Accounts Receivables' as soon as the overpayments are discovered and that appropriate collection action be taken.

Effect

The District has overstated its WUI expense by \$2,084. 'Accounts Receivables' are not recorded in the books and, therefore, the assets are understated by \$2,084.

Cause

The amount due to the WUI participant was not calculated correctly. The District failed to take appropriate action.

Recommendation

The District should record the overpayments as accounts receivables and take immediate action to collect the overpayments.

District's Response

The District will take immediate action in collecting the accounts receivable. Prior attempts have been made and none have been successful. The district clerk will begin to record all overpayments as accounts receivable.

05-01. Lack of Accounts Receivable Ledger for Cost-Share Agreements

Condition

The District does not maintain an accounts receivable ledger for each agreement. They also do not maintain an expenditure ledger for each reimbursable program or project.

Criteria

Section 6-10-2 states, "It is the duty of every public official or agency of this state that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each

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day's business. Except as may be otherwise provided by law, the cash record is a public record and should be open to public inspection.

Effect

Lack of an accurate accounts receivable ledger or expenditure ledger will cause financial information to be misstated. Financial reporting errors and irregularities could go undetected.

Cause

The District was not aware they had to maintain an accounts receivable ledger or an expenditure ledger for each reimbursable program or project.

Recommendation

The District should maintain an account receivable ledger for each agreement. They should also main an expenditure ledger for each reimbursable program or project.

District's Response

The District will establish an accounts receivable ledger for these agreements.

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EXIT CONFERENCE
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 24, 2006 an exit conference was held at the District Office with Mr. Richard Olivas, Vice Chairman and Ms. Dora Pino, District Clerk of the Western Mora Soil and Water Conservation District. Representing the Office of the State Auditor was Blanca Trujillo, Senior Auditor.