



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

STATE OF NEW MEXICO

**WESTERN MORA
SOIL AND WATER CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2006**

(With Independent Auditor's Report Thereon)

STATE OF NEW MEXICO
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT

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JUNE 30, 2006

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STATE OF NEW MEXICO
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
JUNE 30, 2006

<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



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

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, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District as of June 30, 2006, and the respective changes in financial position, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented the Management's Discussion and Analysis required by *GASB Statement No. 34* that the Governmental Accounting Standards Board has

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determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Office of the State Auditor

OFFICE OF THE STATE AUDITOR
March 23, 2007

STATE OF NEW MEXICO
 WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF NET ASSETS
 JUNE 30, 2006

	Governmental Activities
Assets	
Cash	\$ 74,488
Accounts receivable	2,803
Capital assets, net	<u>59,185</u>
Total assets	<u>136,476</u>
Liabilities	
Accounts payable	75
Note Payable to NMFA	
Due in one year	2,304
Due in more than one year	<u>4,624</u>
Total liabilities	<u>7,003</u>
Net Assets	
Invested in capital assets	59,185
Unrestricted	<u>70,288</u>
Total net assets	<u><u>\$ 129,473</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 ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Exhibit 2

	Governmental Activities
Program Expenses:	
Conservation:	
Contractual services	\$ 11,515
Office expense	2,439
Meetings and workshops	91
Supervisor fees	4,200
Dues	875
Equipment operations	1,796
Bond fee	100
Awards	28
Information and education	1,277
Conservation projects	2,619
Mileage and per diem	1,988
Building operation	10,099
WUI expenditures	27,251
Interest	-
Miscellaneous	20
Depreciation	10,944
Total program expenses	75,242
Program Revenues:	
WUI Grant Income	34,299
Re-Leaf Grant income	7,907
Rental Income - NRCS	14,150
Rental Income - Equipment	2,434
Rental Income - Other	2,338
Total program revenues	61,128
Net program (expense) revenue	(14,114)
General Revenues:	
NMDA allotment	7,657
Property taxes	27,877
Miscellaneous income	2,523
Total general revenues	38,057
Change in net assets	23,943
Net assets at beginning of year	105,530
Net assets at end of year	\$ 129,473

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, 2006

	General Fund
Assets	
Cash	\$ 74,488
Accounts receivable	2,803
Total assets	\$ 77,291
Liabilities and fund balance	
Liabilities:	
Accounts payable	\$ 75
Total liabilities	75
Fund balance:	
Unreserved, designated for subsequent year's expenditures	77,216
Unreserved, undesignated	-
Total fund balance	77,216
Total liabilities and fund balance	\$ 77,291

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, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General Fund
Revenues	
State allotment	\$ 7,657
Property taxes	27,877
Rental income- building	14,150
Rental income- equipment	2,434
Rental income- other	2,338
Re Leaf Grant income	7,907
WUI Grant income	34,299
Interest	17
Miscellaneous income	2,506
Total revenues	99,185
Expenditures	
Conservation:	
Current:	
Contractual services	11,515
Office expense	2,439
Meetings & workshop	91
Supervisor fees	4,200
Dues	875
Equipment operations	1,796
Bond fee	100
Awards	28
Information & education	1,277
Conservation projects	2,619
Mileage & per diem	1,988
Building operations	10,099
WUI expenditure	27,251
Miscellaneous	20
Debt Service:	
Principal payments	2,269
Interest	-
Capital outlay-equipment	-
Total expenditures	66,567
Net change in fund balance	32,618
Fund balance beginning of year	44,598
Fund balance end of year	\$ 77,216

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, 2006

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) \$ 32,618

Amounts reported in the Statement of Activities are different because:

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

Capital outlay -

Depreciation expense (10,944)

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: 2,269

Change in net assets - Statement of Activities (Exhibit 2) \$ 23,943

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, 2006

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
State allocation	\$ 6,500	\$ 7,657	\$ 7,657	\$ -
Property taxes	25,000	23,771	28,679	4,908
Rental income- building	11,820	11,820	14,700	2,880
Rental income- equipment	2,000	2,000	2,434	434
Rental income- other	-	-	2,338	2,338
WUI Grant income	40,000	40,000	34,299	(5,701)
Miscellaneous income	-	-	7,930	7,930
Total revenues	<u>85,320</u>	<u>85,248</u>	<u>98,037</u>	<u>\$ 12,789</u>
Cash balance budgeted	43,800	43,872		
Total revenues and cash	<u>\$ 129,120</u>	<u>\$ 129,120</u>		
Expenditures				
Current:				
Contractual services	\$ 14,000	\$ 14,000	\$ 12,573	\$ 1,427
Office expense	4,000	4,000	1,968	2,032
Advertising	1,000	1,000	490	510
Meeting & workshop	2,400	2,400	91	2,309
Supervisor fees	6,000	6,000	4,200	1,800
Dues	950	950	875	75
Equipment operations	10,300	10,300	1,645	8,655
Bond fee	150	150	100	50
WUI expenditures	40,000	40,000	27,251	12,749
Awards	2,000	2,000	28	1,972
Information & education	4,000	4,000	1,277	2,723
Mileage & per diem	4,000	4,000	1,988	4,012
Building operation	6,000	6,000	10,438	562
Equipment purchase	11,000	11,000	231	14,469
Debt service- NMFC loan	14,700	14,700	2,269	1,731
Conservation projects	4,000	4,000	2,619	6,001
	8,620	8,620		
Total expenditures	<u>\$ 129,120</u>	<u>\$ 129,120</u>	<u>\$ 68,043</u>	<u>\$ 61,077</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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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). 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 and Statement of Activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. However, the District does not have any fiduciary or business-type activities.

STATE OF NEW MEXICO
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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. Property 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:

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

STATE OF NEW MEXICO
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity, if applicable, has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Net Assets and Fund Balance

1. Cash

The District's cash 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 \$5,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized. Currently, the District owns no infrastructure required to be capitalized and depreciated under GASB Statement 34.

STATE OF NEW MEXICO
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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.
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
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

Division (DFA-LGD) for approval by the first Monday of September. The Board receives notice of the approved budget.

The legal level at which actual expenditures may not exceed budgeted expenditures is at the total fund level. The Board can revise its budget with the approval of DFA-LGD. Encumbrance accounting is not utilized by the District.

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

		General Fund
Non-GAAP revenues (Exhibit 5)	\$	98,037
Prior year receivables		(1,655)
Current year receivables		2,803
GAAP revenues (Exhibit 4)	\$	99,185
Non-GAAP expenditures (Exhibit 5)		68,043
Prior year payable		(1,551)
Current year accounts payable		75
GAAP expenditures (Exhibit 4)	\$	66,567

III. Detailed Notes on all Funds

A. Cash

As of June 30, 2006, the District had a carrying amount of deposits of \$74,167. The bank balances for deposits were \$74,317. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$150. The total bank balance of \$74,317 consisted of the following:

<u>The Bank of Las Vegas</u>		\$ 74,317
Demand deposits		(74,317)
Less: FDIC coverage		\$ -0-
Amount uninsured		-
<u>First Security Bank</u>		
Money Market Account		\$ 341
Less: FDIC coverage		(341)
Amount uninsured		\$ -0-

STATE OF NEW MEXICO
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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, 2006, 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 and are considered to be fully collectible.

Expense reimbursement due from NRCS	\$ 2,500
Property taxes – Mora County	303
Total	<u>\$2,803</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

Description	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
Land	\$ 8,943	\$ -	\$ -	\$ 8,943
Buildings	61,061	-	-	61,061
Vehicles	2,192	-	(2,192)	-
Equipment	50,326	-	-	50,326
Totals at historical cost	<u>\$ 122,522</u>	<u>\$ -</u>	<u>\$ (2,192)</u>	<u>\$ 120,330</u>
Less accumulated depreciation for:				
Buildings	\$ (24,277)	\$ (3,116)	\$ -	\$ (27,393)
Vehicles	(6,390)	(548)	2,192	(4,746)
Equipment	(21,727)	(7,280)	-	(29,007)
Total accumulated depreciation	<u>\$ (52,394)</u>	<u>\$ (10,944)</u>	<u>\$ 2,192</u>	<u>\$ (61,146)</u>
Total capital assets, net	<u>\$ 70,128</u>	<u>\$ (10,944)</u>	<u>\$ -</u>	<u>\$ 59,184</u>

STATE OF NEW MEXICO
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

D. Long-Term Debt

Long-term debt activity for the year ended June 30, 2006 was as follows:

Balance 6/30/05	Increases	Decreases	Balance 6/30/06	Amount due within one year
NMFA \$ 9,197	-	\$ 2,269	\$6,928	\$ 2,304
Totals	<u>\$ 9,197</u>	<u>\$ -</u>	<u>\$ 2,269</u>	<u>\$ 2,304</u>

The New Mexico Finance Authority approved an interest-free loan for renovations to the current building, to purchase a new fertilizer spreader and sprayer, and to build a storage building for the District. At June 30, 2006, the following are the annual debt service requirements to maturity for this loan:

Payment Due Date	Principal	Administrative Fee	Total
11/1/2006	-	\$ 9	\$ 9
5/1/2007	2,304	9	2,312
11/1/2007	-	6	6
5/1/2008	2,310	6	2,316
11/1/2008	-	3	3
5/1/2009	<u>2,314</u>	<u>3</u>	<u>2,317</u>
	<u>\$ 6,928</u>	<u>\$ 35</u>	<u>\$ 6,963</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 \$1,050,000 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.

STATE OF NEW MEXICO
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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.



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

Mr. 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, 2006 and have issued our report dated March 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and recommendations as item 04-01.

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, 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 06-01 and 06-02.

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

March 23, 2007

STATE OF NEW MEXICO
WESTERN MORA SOIL AND WATER CONSERVATION DISTRICT
FINDINGS AND RECOMMENDATIONS
JUNE 30, 2006

STATUS OF PRIOR YEAR AUDIT FINDINGS

- 04-01. Inaccurate Cash Reconciliations. – Modified and repeated
- 04-03. Overpayments to WUI Program Recipients – Resolved
- 05-01. Lack of Accounts Receivable Ledger for Cost-Share Agreements - Resolved

CURRENT YEAR AUDIT FINDINGS

Finding 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 \$40 between the two totals.

Criteria

For proper internal control, bank balances should 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

The financial information reported to the board of supervisors and DFA was misstated. Errors and irregularities may not be detected in a timely manner.

Cause

The reconciliation between the bank balance and book balance was not done correctly.

Recommendation

The District should perform the cash reconciliations as soon as the bank statement is received. If recording errors are noted, an adjusting journal entry should be recorded and documented as soon as the error is discovered, instead of deleting or correcting the original entry.

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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 District's 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.

Finding 06-01. Violation of Per Diem and Mileage Regulations

Condition

During our audit of travel expenditures, we noted the following:

1. One instance where the mileage reimbursement form was not signed and approved by the Board of Supervisors. The amount paid for mileage was \$19.
2. Six instances where the mileage reimbursement form did not have the times of departure and arrival, or the odometer readings to support the number of miles reimbursed. The total amount paid for these transactions amounted to \$738.
3. Two instances where both per diem and meals were paid for. The total amount paid for per diem (\$170) and meals (\$40) was \$210.

Criteria

The New Mexico Department of Finance and Administration (DFA) Rule 2.42.2 NMAC establishes the per diem and mileage regulations pursuant to various sections of New Mexico Statutes Annotated 1978 (NMSA) which requires details such as odometer readings for reimbursement of mileage in a private conveyance, and either the payment of per diem or reimbursement for the actual cost of meals and lodging but not both.

Cause

The District was not familiar with the requirements of the Per Diem and Mileage Regulations.

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Effect

The District is in non-compliance with the travel regulations and is subject to overpayments for mileage and per diem.

Recommendation

The District should obtain and thoroughly review the per diem and mileage regulations issued by DFA. The District should implement procedures to ensure that all of the travel regulations are complied with. A travel reimbursement should not be made unless a travel reimbursement form is completely filled out and approved by the District Clerk and a board supervisor. The District should either pay a per diem rate or reimburse for the actual cost of meals and lodging, but not both. The payment for the actual cost of meals and lodging has to be approved by the Board of Supervisors before the date of travel. Payments for the actual cost of meals and lodging should not be made unless the receipts for the actual meals and lodging expenses are attached to the payment voucher. For mileage and per diem reimbursements, the beginning and ending dates and times of travel, nature of the official business, name of the person contacted, and the beginning and ending odometer readings need to be documented on a travel reimbursement form to support all payments made by the District.

District's Response

The District will attach the required supporting documentation for all vouchers. The District will document the proper information regarding travel, and will use the travel reimbursement form provided by the State.

Finding 06-02. Violation of the State Procurement Code

Condition

During our audit of expenditures, we noted two instances where there were no documents to support the services rendered or amounts paid. These expenditures amounted to \$53 and \$80.

Criteria

Per Section 13-1-125.C NMSA 1978, Small Purchases, "Notwithstanding the requirements of Subsection A of this section, a state agency or a local public body may procure services, construction or items of tangible personal property having a value not

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exceeding ten thousand dollars (\$10,000) by issuing a direct purchase order to a contractor based upon the best obtainable price.”

Cause

The District was unfamiliar with the specific requirements of the State Procurement Code and the State Purchasing Regulations.

Effect

The District is in non-compliance with Section 13-1-125.C NMSA 1978. The District may not be obtaining the best price for goods and services.

Recommendation

The District needs to ensure that all the provisions of the State Procurement Code and Purchasing Regulations are complied with during the procurement of goods and services. For small purchases and prior to the issuance of a direct purchase order, the District should obtain and document at least three oral or written quotes to ensure that the best available price was obtained for the goods and services. This documentation should be attached to the payment voucher.

District's Response

The District along with the District Manager will make sure all expenditures are authorized with all supporting documents attached to the vouchers.

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EXIT CONFERENCE
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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 March 23, 2007 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 Peter Pacheco, Audit Staff and Joyce Sandoval, Audit Supervisor.