

**STATE OF NEW MEXICO  
ALTO LAKES SPECIAL ZONING DISTRICT  
AUDITED FINANCIAL STATEMENTS AND  
OTHER FINANCIAL INFORMATION  
JUNE 30, 2008**

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Certified Public Accountant

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ALTO LAKES SPECIAL ZONING DISTRICT  
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JUNE 30, 2008**

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## INTRODUCTORY SECTION

STATE OF NEW MEXICO  
ALTO LAKES SPECIAL ZONING DISTRICT  
OFFICIAL ROSTER  
JUNE 30, 2008

BOARD OF COMMISSIONERS

Ron Duncan	Chairman
Bill Doyle	Vice Chairman/Treasurer
Fran Haines	Secretary
Frank Higgins	Member
Earl Adamy	Member

## FINANCIAL SECTION

## Independent Auditor's Report

Board of Commissioners  
Alto Lakes Special Zoning District and  
Mr. Hector Balderas  
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, the general fund, and the respective budgetary comparison of the Alto Lakes Special Zoning District (the District), State of New Mexico, as of and for the year ended June 30, 2008, 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 with 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 Alto Lakes Special Zoning District, State of New Mexico, as of June 30, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 7, 2008, 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, and 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.

The District has not presented a management's discussion and analysis that accounting principles generally accepted in the United States have determined is necessary to supplement, although not required to be part of, the basic financial statements.

  
May 7, 2009

STATE OF NEW MEXICO  
 ALTO LAKES SPECIAL ZONING DISTRICT  
 STATEMENT OF NET ASSETS  
 June 30, 2008

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash	\$ 17,793
Total Current Assets	<u>17,793</u>
<b>Noncurrent Assets:</b>	
None	<u>-</u>
Total Assets	<u>\$ 17,793</u>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Note payable	\$ -
Accounts payable	1,198
Other payable	<u>-</u>
Total Current Liabilities	1,198
<b>Long-Term Liabilities:</b>	
None	<u>-</u>
Total Liabilities	<u>1,198</u>
<b>NET ASSETS</b>	
Unrestricted	<u>16,595</u>
Total Net Assets	<u>16,595</u>
Total Liabilities And Net Assets	<u>\$ 17,793</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO  
 ALTO LAKES SPECIAL ZONING DISTRICT  
 STATEMENT OF ACTIVITIES  
 For The Year Ended June 30, 2008

	<u>Governmental Activities</u>
<b>Expenses</b>	
District operations	\$ 15,016
<b>Program Revenues</b>	
Charges for services	<u>25,265</u>
<b>Changes in Net Assets:</b>	
Net (expense) revenue	10,249
<b>General Revenues</b>	
Miscellaneous	<u>750</u>
Change in Net Assets	10,999
<b>Net Assets - Beginning of Year</b>	<u>5,596</u>
<b>Net Assets - End of Year</b>	<u><u>\$ 16,595</u></u>

The accompanying notes are an integral part of the financial statements.



STATE OF NEW MEXICO  
 ALTO LAKES SPECIAL ZONING DISTRICT  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 June 30, 2008

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 17,793
Total Assets	<u>\$ 17,793</u>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 1,198
Other payable	<u>-</u>
Total Liabilities	<u>1,198</u>
 <b>FUND BALANCE</b>	
Unreserved:	
Undesignated	<u>16,595</u>
Total Fund Balance	<u>16,595</u>
Total Liabilities And Fund Balance	<u>\$ 17,793</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO  
ALTO LAKES SPECIAL ZONING DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
June 30, 2008

Total Fund Balances for the Governmental Funds	\$	16,595
Amounts reported for governmental activities in the statement of net assets are different because:		
<b>No adjustments required</b>		<u>-</u>
Net assets of Governmental Activities	\$	<u>16,595</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO  
ALTO LAKES SPECIAL ZONING DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2008

	General Fund
<b>REVENUES</b>	
Permits and variances	\$ 25,266
Miscellaneous	750
Total Revenues	<u>26,016</u>
<b>EXPENDITURES</b>	
Meeting Regular	1,914
Audit	-
Clerical & Accounting	10,116
Legal-Operations	1,417
Legal-Ordinances	180
Legal-Publications	-
Web Page	69
Insurance Liability	951
Supplies	321
Debt Service-Interest	49
Debt Service-Principal	1,500
Total Expenditures	<u>16,517</u>
<b>NET CHANGE IN FUND BALANCE</b>	9,499
<b>FUND BALANCE - BEGINNING</b>	5,596
<b>RESTATEMENTS</b>	1,500
<b>FUND BALANCE - BEGINNING AS RESTATED</b>	<u>7,096</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 16,595</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO**  
**ALTO LAKES SPECIAL ZONING DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2008**

Net Change in Fund Balances - Governmental Funds	\$ 9,499
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Repayment of debt principal recorded as expenditures in the fund statements</p>	<p><u>1,500</u></p>
Change in Net Assets of Governmental Activities	<p><u>\$ 10,999</u></p>

**The accompanying notes are an intregal part of the financial statements.**

STATE OF NEW MEXICO  
ALTO LAKES SPECIAL ZONING DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE-BUDGET AND ACTUAL (NON-GAAP)  
For The Year Ended June 30, 2008

	Budget		Actual Amounts Budgetary Basis	Variance
	Original	Final		Final Budget To Budgetary Actual
<b>REVENUES</b>				
Permits and variances	\$ 26,400	\$ 26,400	\$ 25,266	\$ (1,134)
Miscellaneous	-	-	750	-
Total Revenues and Sources	<u>26,400</u>	<u>26,400</u>	<u>26,016</u>	<u>(1,134)</u>
<b>EXPENDITURES AND USES</b>				
Current				
Meeting Regular	2,400	2,400	2,014	386
Audit	3,000	3,000	-	3,000
Clerical & Accounting	12,000	12,000	10,151	1,849
Legal-Operations	2,400	2,400	1,417	983
Legal-Ordinances	1,000	1,000	180	820
Legal-Publications	200	200	-	200
Web Page	80	80	69	11
Insurance Liability	1,089	1,089	951	138
Supplies	960	960	321	639
Debt Service-Interest	50	50	49	1
Debt Service-Principal	1,500	1,500	1,500	-
Total Expenditures and Uses	<u>24,679</u>	<u>24,679</u>	<u>16,652</u>	<u>8,027</u>
Excess(deficiency) of revenues over expenditures	1,721	1,721	9,364	<u>\$ (9,161)</u>
Cash balance at beginning of year	<u>8,909</u>	<u>8,909</u>		
Cash balance end of year	<u>\$ 10,630</u>	<u>\$ 10,630</u>		
Reconciliation to GAAP Basis				
Reclassification of Debt Service			1,500	
Changes in Accounts Payable			<u>135</u>	
Excess (Deficiency) of revenues over expenditures			<u>\$ 10,999</u>	

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO  
ALTO LAKES SPECIAL ZONING DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1. FUNCTION OF THE ENTITY**

The Alto Lakes Special Zoning District (the District) was created under the authority of the Special Zoning District Act of New Mexico, NMSA 1978, Sections 3-21-15 through 3-21-26. The District operates under a Board of Commissioners consisting of five elected members. The purpose of the District is to regulate land use planning in the Alto Lakes community.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phased implementation based on the size of the government.

In June, 2001, the GASB unanimously approved Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. Statement 37 clarifies and modifies Statements 34 and should be implemented simultaneously with Statement 34. Statement 38 modifies, establishes and rescinds certain financial statement disclosure requirements.

The District implemented the provisions of GASB Statement No. 34, 37 and 38 effective July 1, 2003. As part of this Statement, there is a new reporting requirement regarding the government's infrastructure (roads, bridges, etc.). The District does not own any infrastructure assets and therefore is unaffected by this requirement. In addition, the District does not have any fiduciary funds.

The District has elected not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, for the government-wide financial statements.

**STATE OF NEW MEXICO  
ALTO LAKES SPECIAL ZONING DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**A. REPORTING ENTITY**

The District is special-purpose government created pursuant to statute and is comprised of an elected Board of Commissioners. The officers of the District are elected annually. The District is a governmental subdivision of the State of New Mexico and a body with all the powers of a public or quasi-municipal corporation and these financial statements include all funds and activities over which the District officers have oversight responsibility. The officers of the District have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The District is not included in any other governmental reporting entity as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. The District does not have any component units.

**B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS**

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The new reporting model focus is on either the District as a whole, or major individual funds (within the fund financial statements). The District is a single-program government that engages in only governmental activities and has no component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental activities. In the government-wide Statement of Net Assets, the governmental activities are presented on the full accrual basis, economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, restricted net assets (neither of which are currently present) and unrestricted net assets.

The government-wide Statement of Activities reports the gross and net cost of the District's function. The function is also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. The District includes only one function (district operations), and has no operating or capital grants. The District does not have an internal service fund, but all internal activities have been eliminated to avoid "doubling up" revenues and expenses.

The net costs (by function) are normally covered by program revenue (special assessments).

This government-wide measurement focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

**STATE OF NEW MEXICO  
ALTO LAKES SPECIAL ZONING DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS**

The financial transactions of the District are reported in one fund in the fund financial statements. The fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The District does not have any proprietary or fiduciary funds.

The single fund of the District is described below:

*General Fund* – The General Fund is the general operating fund for the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The governmental fund statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the District's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

GASB Statement No. 34 eliminated the presentation of account groups, but provides for these records to be maintained and incorporates the information into the government-wide Statement of Net Assets.

**D. BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**Accrual**

Governmental activities in the government-wide financial statement are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.



**STATE OF NEW MEXICO  
ALTO LAKES SPECIAL ZONING DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**D. BASIS OF ACCOUNTING – Continued**

**Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers revenues to be available if they are collected within sixty days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

The primary sources of revenue for the District are permit and variance fees. These revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received.

**E. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**F. ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

**G. FINANCIAL STATEMENT AMOUNTS**

**1. Cash**

For the purpose of the Statement of Net Assets, "cash" includes all petty cash, demand accounts, savings accounts and certificates of deposit of the District.

**STATE OF NEW MEXICO  
ALTO LAKES SPECIAL ZONING DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**G. FINANCIAL STATEMENT AMOUNTS – Continued**

**2. Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, computer software and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets, when they are acquired, will be provided on the straight-line basis with no salvage value. The estimated life of equipment will be five to ten years.

GASB Statement No. 34 requires the District to report and depreciate infrastructure assets. Infrastructure assets include roads, bridges, underground pipe, traffic signals, etc. The District does not own any infrastructure assets.

**3. Compensated Absences**

The District does not have any employees and therefore, does not have a compensated absences policy.

**4. Equity Classifications**

*Government-wide Statements*

Equity is classified as net assets. Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent the historical costs of assets or fair value on date of receipt less accumulated depreciation on those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by the District or external restrictions by other governments, creditors or grantors. Unrestricted net assets are all other net assets that do not meet the definition of "restricted" or "invested in capital assets." It is the District's policy to first apply unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved with the unreserved further split between designated and undesignated. Reservations of fund balance are created to either satisfy legal covenants that require that a portion of the fund balance be segregated or identify the portion of the fund balance that is not appropriated for future expenditure.

**STATE OF NEW MEXICO  
ALTO LAKES SPECIAL ZONING DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**G. FINANCIAL STATEMENT AMOUNTS – Continued**

**5. Revenues and Expenditures**

The primary source of revenue for the District is from established zoning and variance fees, assessed to members of the District at the time of application, and recognized as revenue when collected.

Expenditures are recognized when the related fund liability is incurred.

**NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a government unit, the District is subject to various laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows:

**A. BUDGETS AND BUDGETARY ACCOUNTING**

Special Zoning Districts follow procedures that are promulgated by the Department of Finance and Administration, Local Government Division. Those procedures are as follows:

1. Prior to July 1, the District Treasurer submits to the Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. After the Board approves the proposed budget, it is then submitted to the Local Government Division for review and certification.
3. Upon certification the budget becomes a legally binding document which does not allow total expenditures in any fund to exceed the amount budgeted. Appropriations lapse at year-end.
4. The Board is authorized to make budget revisions with the Local Government Division's approval.
5. Formal budgetary integration is employed as a management control device during the year.

Budgets are not adopted on a basis consistent with generally accepted accounting principles (GAAP). The budgets are adopted on the non-GAAP basis of cash receipts and disbursements; consequently, certain revenues and the related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. Budgetary comparisons presented in this report are on this non-GAAP Budgetary basis.

The reconciliation of governmental fund revenues and expenses to budget basis revenue and expenses is presented in the Budgetary Comparison Statement – Budget-to-GAAP Reconciliation.

**STATE OF NEW MEXICO  
 ALTO LAKES SPECIAL ZONING DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2008**

**NOTE 4. DETAIL NOTES ON ACCOUNTS AND TRANSACTION CLASSES**

**A. CASH**

Cash deposits are reported at cost, which reasonably estimates fair value. At year-end, the carrying amount of the bank account was \$8,909 and the bank balance was \$8,909 also.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, the District's accounts were 100% covered by FDIC insurance and no collateral was pledged.

The District has not adopted a formal investment policy.

The following schedule presents cash on deposit with banks and the collateral pledged by each institution in accordance with Section 6-10-16, NMSA, 1978 Compilation:

Compass Bank, 1710 Sudderth Dr., Ruidoso, NM 88345:

Balance per Bank	\$ 17,840
Add: Outstanding Deposits	-
Less: Outstanding Checks	<u>(47)</u>
Balance per Books	17,793
Less: FDIC Insurance	<u>(17,793)</u>
Total Uninsured Deposits	<u><u>\$ -</u></u>

At June 30, 2008, the District had no custodial credit risk.

**B. CAPITAL ASSETS**

The District does not currently have any capital assets.

**C. LONG-TERM LIABILITIES**

The District does not currently have any long-term liabilities.

**STATE OF NEW MEXICO  
 ALTO LAKES SPECIAL ZONING DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 June 30, 2008**

**D. SHORT-TERM DEBT**

The District received a cash advance to cover initial District formation costs from Alto Lakes Golf and Country Club, Inc., in 2006, in the amount of \$8,500. On March 31, 2006, the District issued a promissory note to the Club for \$7,000 (the balance outstanding on the cash advance at that time), payable in full on or before June 30, 2008, with interest at 5%. The balance due on the note at June 30, 2008 was \$-0-.

The following is a summary of current year activity:

Balance 6-30-07	\$ 1,500
Additons	
Payments	<u>(1,500)</u>
Balance 6-30-08	<u>\$ -</u>

The District also received an advance of \$750 from Alto Lakes Water Corporation which is reflected as an other payable on the District's prior year financial statements. The Alto Lakes Water Corporation elected to forgive this payable in the current year. The District recorded the forgiveness as miscellaneous revenue in the current year.

**NOTE 5. OTHER NOTES**

**A. RISK MANAGEMENT**

The District manages its risk through an insurance policy with Risk Management Services. The premiums paid on the policy during the year were \$951. If the District's losses exceed its premiums, there is no supplemental assessment; on the other hand, if the District's losses are low, they will not receive a refund. Therefore, except for deductible amounts, risk has been transferred to the insurance carrier.

**B. RETIREMENT AND BENEFIT PLANS**

The District does not currently have any employees and therefore, does not have any retirement or benefit plans.

**NOTE 6. RESTATEMENTS**

The District increased the General Fund Balance by \$1,500 to reflect the adjustment to remove debt from the fund liabilities and to properly reflect debt service in the current year fund financial statements.

## **OTHER REPORTS**

**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**

Board of Commissioners  
Alto Lakes Special Zoning District and  
Mr. Hector Balderas  
New Mexico State Auditor

We have audited the financial statements of the governmental activities, the general fund, and the respective budgetary comparison of the Alto Lakes Special Zoning District as of and for the year ended June 30, 2008, which collectively comprise the Alto Lakes Special Zoning District's basic financial statements and have issued our report thereon dated May 7, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and responses, finding 07-B, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alto Lakes Special Zoning District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Audit Standards* and which are described in the accompanying schedule of findings and responses as item 07-A.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the District's management, the New Mexico Department of Finance and Administration, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

May 7, 2009



**ALTO LAKES SPECIAL ZONING DISTRICT  
SCHEDULE OF FINDINGS , OTHER DISCLOSURES AND EXIT CONFERENCE  
JUNE 30, 2008**

**Resolution of Prior Year Findings**

**06-A Gross Receipts Tax-Resolved  
07-A Late Audit Report-Repeated  
07-B Auditor Prepared Financial Statements-Repeated**

**FINDINGS AND RECOMMENDATIONS AND RESPONSES:**

**07-A. Audit Report Submitted Late:**

Condition: The audit report was not submitted to the New Mexico State Auditor's office by the due date of December 1, 2008.

Criteria: The New Mexico State Auditor requires municipalities to submit their audit reports by December 1. If the reports are submitted late, it is considered to be an instance of noncompliance with Subsection A of 2.2.2.9 NMAC.

Cause: The June 30, 2007 audit report was submitted late resulting in the June 30, 2008 being submitted late.

Effect: Noncompliance with state law. In addition, users of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc., do not have timely audit reports and financial statements for their review. And, late audit reports could have an effect on state and federal funding.

Recommendation: Complete the audit reports in a timely manner.

Response: The District will submit future audit reports by the due date.

**07-B. Auditor Prepared Financial Statements:**

Condition: The District does not employ personnel with adequate qualifications and training sufficient enough to prepare the District's financial statements.

Criteria: Per the provisions of Subsection J of 2.2.2.8 NMAC, and SAS 112, insufficient expertise in selecting and applying accounting principles, including the preparation of the District's financial statements, is considered to be a significant deficiency in internal control.

Effect: A significant deficiency in internal control.

Cause: Small governmental entities do not have sufficient resources to employ personnel with adequate qualifications and training sufficient enough to prepare the District's financial statements.

Recommendation: Engage another Firm to Prepare the District's Financial Statements

Response: The District will evaluate its alternatives to remove the finding.

**ALTO LAKES SPECIAL ZONING DISTRICT  
SCHEDULE OF FINDINGS , OTHER DISCLOSURES AND EXIT CONFERENCE  
JUNE 30, 2008**

**FINANCIAL STATEMENT PREPARATION**

Although it would be preferable and desirable for the District to prepare its own GAAP-based financial statements, it is felt that the District's personnel have neither the time nor the expertise to prepare them. Therefore the outside auditor prepared the GAAP-basis financial statements and footnotes to inclusion in the annual audit report, however, the responsibility for the content of the report remains with District management

**EXIT CONFERENCE**

On May 8, 2009 an exit conference was held at the offices of Dan Austin CPA, P.C. Present were current District Chairman Ron Duncan and auditor Dan Austin, CPA. The audit findings and the contents of this report were discussed.