



**STATE OF NEW MEXICO
NORTH RANCHOS DE PLACITAS
WATER AND SANITATION DISTRICT**

Financial Statements

with

Independent Auditor's Report

For the Fiscal Year Ended June 30, 2008

**STATE OF NEW MEXICO
NORTH RANCHOS DE PLACITAS WATER AND SANITATION DISTRICT**

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INTRODUCTORY SECTION

**STATE OF NEW MEXICO
NORTH RANCHOS DE PLACITAS WATER AND SANITATION DISTRICT**

**OFFICIAL ROSTER
JUNE 30, 2008**

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>
Trey Young	President
Don Lewis	Treasurer
Rob Oakes	Secretary
Brent Burdick	Director

ADMINISTRATION

Jeanne Burnley	Bookkeeper
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Gwen K. Farner

CERTIFIED PUBLIC ACCOUNTANT
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INDEPENDENT AUDITOR'S REPORT

Honorable Hector H. Balderas
New Mexico State Auditor
and
Members of the Board
North Ranchos de Placitas Water
and Sanitation District
Placitas, New Mexico

I have audited the accompanying financial statements of the business-type activities of the State of New Mexico North Ranchos de Placitas Water and Sanitation District (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. I also have audited the budgetary comparison presented as supplementary information in the financial statements 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. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2008, and the respective changes in its financial position, cash flows, thereof for the year then ended and in conformity with accounting principles generally accepted in the United States of America. In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison of the District for the year ended June 30, 2008 in conformity with the accounting principles described in Note 2, f.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 9, 2008, on my consideration of the District's internal control over financial reporting and my 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 my 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 the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The State of New Mexico, North Ranchos de Placitas Water and Sanitation District has not presented the Management's Discussion and Analysis required by GAAP that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of the basic financial statements.

Gwen K. Farner, CPA
Corrales, New Mexico
September 9, 2008

STATE OF NEW MEXICO
NORTH RANCHOS DE PLACITAS WATER AND SANITATION DISTRICT
ENTERPRISE FUND
BALANCE SHEET
JUNE 30, 2008

Assets

Current assets:	
Cash and cash equivalents	\$ 185,678
Accounts receivable	8,535
Prepaid insurance	<u>2,328</u>
Total current assets	<u>196,541</u>
Noncurrent assets:	
Capital assets (net) (NOTE 3)	393,817
Other assets:	
Organization cost (net)	<u>4,871</u>
Total noncurrent assets	<u>398,688</u>
Total assets	<u><u>\$ 595,229</u></u>

Liabilities

Current liabilities:	
Accounts payable	\$ 2,599
Deferred revenue	<u>840</u>
Total Liabilities	<u>3,439</u>

Net Assets:

Investment in capital assets	393,817
Unrestricted	<u>197,973</u>
Total Net Assets	<u>591,790</u>
Total Liabilities and Net Assets	<u><u>\$ 595,229</u></u>

STATE OF NEW MEXICO
NORTH RANCHOS DE PLACITAS WATER AND SANITATION DISTRICT
Statement of Revenues, Expenses and Change in Fund Net Assets
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2008

Operating revenues:	
Charges for services and fees	\$ 74,354
Miscellaneous revenues	3,455
Total operating revenues	<u>77,809</u>
Operating expenses:	
Amortization	218
Legal and professional	12,755
Depreciation	19,340
Insurance	4,306
Office and administrative expense	7,554
Operations contract	10,041
Repairs and maintenance	11,517
Taxes and fees	3,860
Utilities	6,659
Total operating expenses	<u>76,250</u>
Operating gain	1,559
Nonoperating revenues/expenses:	
Property tax levy	74,517
Property tax levy fees	(745)
Settlements	35,000
Discount on legal fees	18,452
Interest income	3,374
Total nonoperating revenues (expenses)	<u>130,598</u>
Change in Net Assets	132,157
Net Assets - beginning of year	<u>459,633</u>
Net Assets - end of year	<u><u>\$ 591,790</u></u>

STATE OF NEW MEXICO
NORTH RANCHOS DE PLACITAS WATER AND SANITATION DISTRICT
ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

Cash flows from operating activities:	
Cash received from customers	\$ 80,625
Cash paid to suppliers	(147,695)
	<u>(67,070)</u>
Cash flows from noncapital financing activities:	
Tax levy, net	73,771
Settlement	35,000
	<u>108,771</u>
Cash flows from investing activities:	
Interest from investment	3,374
	<u>3,374</u>
Net cash provided by investing activities	45,075
Cash, beginning	140,603
Cash, ending	\$ 185,678
Reconciliation of operating income to net cash:	
Operating gain	\$ 1,559
Adjustments to reconcile net income to net cash	
Provided by operating activities:	
Depreciation	19,340
Amortization	218
Discount on prior year legal fees	18,452
Change in assets and liabilities:	
Decrease in:	
Accounts receivable	1,512
Deferred revenue	(75)
Accounts payable	(107,727)
Tax levy receivable	
Increase in:	
Prepaid insurance	(349)
Net cash used by operating activities	\$ (67,070)

STATE OF NEW MEXICO
NORTH RANCHOS DE PLACITAS WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. ORGANIZATION AND BACKGROUND

The North Ranchos de Placitas Water and Sanitation District (District) was established under the Law of 1991, under the provisions of the act now referred to as Chapter 73, Article 21, NMSA 1978.

The District was organized in March 1990 and acquired all of the assets of Ranchos de Placitas Water Company, Inc. on December 3, 1990. The Public Service District of New Mexico approved the transfer of ownership and operation on March 4, 1991.

The Board consists of five members elected by the resident landowners for terms of two, four and six years. The Board shall appoint qualified personnel to guide and direct the operations of the agency.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Implementation of New Accounting Principles – The District has adopted the provisions of GASB Statement No. 34, *Basis Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This statement affects the manner in which the District records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports. GASB Statement No.34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

The District is not included in any other governmental “reporting entity” as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, and is not a component unit of the executive branch and these financial statements include all funds, programs and activities in the State of New Mexico. The District has not any component units; therefore, component units are not represented in the financial report.

The District has recorded capital and certain other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

The District's financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standard Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updated its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The new reporting model, GASB #34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of governmental fund. The financial statements include the proprietary fund of the District over which the Board of Directors exercises operating control. Operation of the District is to provide the water services.

STATE OF NEW MEXICO
NORTH RANCHOS DE PLACITAS WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

MEASUREMENT-FOCUS, BASIS OF ACCOUNTING

The District's enterprise fund financial statements are prepared using the accrual basis of accounting, in conformity with generally accepted accounting principles (GAAP) as applied to government units. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The District's revenues are recognized when earned and expenses are recognized when incurred. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. The District considers all revenues available if they are collectable within 60 days after year end. Property taxes are considered revenue when they are levied, even if enforceable legal claims arise or the due date for payment occurs in a different period.

a. ENTERPRISE FUND

The accounts of the District are organized on the basis of one fund which is considered a separate accounting entity. This fund is an enterprise fund, a type of proprietary fund, which is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The measurement focus of a enterprise fund is on the determination of net income, financial position, and cash flows. This means that all assets and all liabilities (whether current or noncurrent) associated with their activities are included on the balance sheet.

Enterprise fund distinguish operating revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. The District also recognizes as operating revenue connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported nonoperating revenues and expenses.

Enterprise funds are reported based on all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

b. FIDUCIARY FUND

Fiduciary funds are used to report assets held in trustee or agency capacity for others and therefore are available to support District expenditures. The homeowners are not required to make deposit in advance for services; therefore, fiduciary fund is not applicable to the District.

c. CASH AND CASH EQUIVALENTS

Amounts reflected as "cash and cash equivalents" on the balance sheet include amounts on hand and in demand deposits as well as short-term investment with a maturity date within six month of the date acquired by the District. Investments primarily certificates of deposits with financial institutions are stated at cost of amortized cost, which approximates their market value.

STATE OF NEW MEXICO
NORTH RANCHOS DE PLACITAS WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

d. ACCOUNTS RECEIVABLE

No allowance for doubtful accounts is provided. All receivables are considered current and collectible, and those, which become uncollectible, will be adjusted from the records. The District's accounts receivable as of June 30, 2008:

Accounts receivable as of June 30, 2008:

<u>Description:</u>	<u>Amount</u>
Water revenues	\$ 8,026
Tax Levy receivable	<u>509</u>
	<u><u>\$ 8,535</u></u>

e. CAPITAL ASSETS

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets are reported at historical cost, less of accumulated depreciation. Depreciation has been provided over the estimated useful lives using the straight-line method. The District's major infrastructures network – Plant, structures water-lines. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Estimated lives</u>	<u>Years</u>
Plant, structures water- lines	20 - 50
Equipment	5 - 10

It is the policy of the District to capitalize the cost of infrastructure assets (water and sewer lines). Interest incurred during the construction period of major projects is capitalized and depreciated over the estimated lives of the respective assets. During the current period there were no major projects. Beginning in fiscal year 2006, capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and estimated useful life in excess of one year. HB 1074 passed by the New Mexico State Legislature changed the capitalization threshold for movable chattel and equipment from \$1,000 to \$5,000 beginning in fiscal year 2006.

f. BUDGETS AND BUDGETARY ACCOUNTING

The District follows budgetary procedures that are promulgated by the State Department of Finance and Administration (DFA), Local Government Division. Each year, the District is required to submit to DFA a proposed budget together with a resolution adopted by its Board of Directors. Approval is required by the DFA, Local Government Division, for any revisions that alter the total budgeted expenditures for the District. Transfers between line items require approval by the Board of Directors. Total expenditures plus accounts payable may not legally exceed the approved operating budget for the fiscal year.

STATE OF NEW MEXICO
NORTH RANCHOS DE PLACITAS WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

g. INVESTMENT IN CAPITAL ASSETS, NET RELATED DEBT

The investment in capital assets, net related debt is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding liquid assets and any associated un-amortized cost.

h. RESTRICTED OR UNRESTRICTED RESOURCES

Restricted resources are used for expenses only after unrestricted resources are depleted.

i. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

j. CONTRIBUTED CAPITAL

On July 1, 2000, the District was required to adopt Governmental Accounting Standards Board's (GASB) statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions. This statement requires governments to recognize capital contributions to proprietary funds as revenues, instead of contributed capital. Previously, grants, entitlements, shared revenues and the fair market value of donated property received by the District which were restricted for the acquisition or construction of capital assets were recorded as contributed capital.

k. NET ASSETS

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investment is excluded from the determination. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net assets consist of all other net assets not included in the above categories.

STATE OF NEW MEXICO
NORTH RANCHOS DE PLACITAS WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3. CHANGES IN CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2008 are as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Land	\$ 13,263	\$ -	\$ -	\$ 13,263
Total capital assets that are not being depreciated	13,263	-	-	13,263
Plant in service	584,670	-	-	584,670
Office equipment	1,871	-	-	1,871
Total capital assets that are being depreciated	586,541	-	-	586,541
Less accumulated depreciation for:				
Plant in service	(184,535)	(19,581)		(204,116)
Office equipment	(2,112)	241		(1,871)
Total accumulated depreciation	(186,647)	(19,340)	-	(205,987)
Capital assets, net	<u>\$ 399,894</u>	<u>\$ (19,340)</u>	<u>\$ -</u>	<u>\$ 380,554</u>

NOTE 4. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to contractors, and natural disasters. The District pays an annual premium for all of the above risk. The District has had no claims in the past three years.

NOTE 5. CASH AND CASH EQUIVALENTS

The District is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, annotated, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

All money not immediately necessary for the public uses of the District may be invested in:

- a. bonds or negotiable securities of the United States, the state or any county, municipality, or town which has a taxable valuation of real property for the last preceding year of at least one million (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within the last five years preceding; or
- b. securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government; or

STATE OF NEW MEXICO
NORTH RANCHOS DE PLACITAS WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

- c. In contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one-hundred-two percent of the contract. The collateral required for an investment in the contracts provided in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment.

All of the cash and investments of the District at June 30, 2008 were in time deposits, savings or certificates of deposits. The investments are stated at cost, which also approximates market value.

The District's practice is to limit deposits and investments to insured and collateralized time accounts and certificates of deposits.

The Federal Deposit Insurance Corporation provides protection of the District's cash and investments. All of the District's investments are categorized to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured and are held in the District's name. All of the investments are of Category 1 type. At June 30, 2008, the Federal Deposit Insurance Corporation insured all accounts of the District.

<u>Depository</u>	<u>Account Name</u>	<u>Maturity Date</u>	<u>Type of Account</u>	<u>Bank Balance</u>
First Community Bank	Checking		Checking	\$ 85,797
	Total First Community Bank and Trust			85,797
	Less FDIC coverage			(85,797)
	Total uninsured funds			-
	50% collateral requirement			-
	Over (Under)			\$ -
Charter Bank	Certificate of Deposit	6/18/2009	CD	\$ 99,996
	Total Charter Bank and Trust			99,996
	Less FDIC coverage			(99,996)
	Total uninsured funds			-
	50% collateral requirement			-
	Over (Under)			\$ -
	Total cash in bank			\$ 185,793
			Less: Outstanding checks	(115)
	Reconciled cash balance per balance sheet			\$ 185,678

STATE OF NEW MEXICO
NORTH RANCHOS DE PLACITAS WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. New Mexico Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution. All of the cash and investments of the District at June 30, 2008 were in demand deposits, or certificates of deposits. The investments are stated at cost, which also approximates market value. The District's practice is to limit its deposits and investments to insured and collateralized time accounts and certificates of deposits. The federal deposit insurance corporation provides protection of the District's cash and investments.

NOTE 6. REVENUES – CHARGE FOR SERVICES AND FEES

Charge for services and fees are composed of monthly basic charge, standby fees, water usage, hook up and gross receipt tax. The monthly basis charge is \$14.95 per water meter. Standby fees are \$7.50 per month for each vacant lot. Water usage fees are measured by \$2.83 per thousand gallons.

The charges for services and fees are stated as follows:

	2008	2007
Water usage fees	\$ 31,968	\$ 30,330
Basic service fees	31,604	31,305
Standby fees	6,023	6,158
Hook up fees	2,850	1,900
Other fees	1,909	2,217
Total charges for service and fees	\$ 74,354	\$ 71,910

NOTE 7. PENSION PLAN, DEFERRED COMPENSATION, AND RETIREE HEALTH CARE

The District had no employees during the year, and therefore, did not participate in the Public Employees/ Retirement Act (PERA) of the State of New Mexico, a deferred compensation plan, or the Retiree Health Care act program.

STATE OF NEW MEXICO
NORTH RANCHOS DE PLACITAS WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8. COMMITMENTS AND CONTINGENT LIABILITIES

In the course of business, the District is subject to certain contingent liabilities and unasserted claims. A number of property owners within the District allege they received no notice of standby charges with the New Mexico Public Regulation Commission (PRC) in 1991 and the District has been collecting payments on the charges since then. The Petitioners requested refund of payments on the charges collected. On July 10, 2008, attorneys for both sides and the PRC agreed to dismiss the claims, closing this issue.

The District was forced to file a lawsuit against its own insurance company in order to recover costs that should have been covered by the insurance on a lawsuit filed by a homeowner. The insurance company settled with the District for \$35,000 which the attorneys took most of in order to settle the insurance company lawsuit.

The District's attorneys also agreed to discount part of their legal fees that were billed in the prior fiscal for amount of \$18,452.

NOTE 9. DEFERRED REVENUE

Deferred revenues represent a liability for the Governmental Funds. Deferred revenues are used to account for funds received from homeowners for prepayment of water services. Under the accrual basis, revenues are recognized when goods are sold or when services are rendered. The District's deferred incomes are \$840, and \$915 for the fiscal years ended June 30, 2008 and 2007, respectively.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
NORTH RANCHOS DE PLACITAS WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual on Budgetary Basis	Variance Favorable (unfavorable)
	Original	Final		
Operating Revenues:				
Charge for services and fees	\$ 70,000	\$ 70,000	\$ 74,354	\$ 4,354
Gross receipt tax	3,500	3,500	3,455	(45)
Total Operating Revenues	73,500	73,500	77,809	4,309
Operating Expenses:				
Legal and professional	92,250	92,250	12,755	79,495
Repairs and maintenance	12,500	12,500	11,517	983
Office and administrative expenses	8,000	8,000	7,554	446
Operating contract	12,000	12,000	10,041	1,959
Insurance	5,000	5,000	4,306	694
Taxes and fees	4,500	4,500	3,860	640
Utilities	7,000	7,000	6,659	341
Total Operating Expenses:	141,250	141,250	56,692	84,558
Non-operating Revenues/(Expenses):				
Investment income	3,500	3,500	3,374	(126)
Property tax revenue	75,000	75,000	74,517	(483)
Property tax revenue fees	(750)	(750)	(745)	5
Settlements	-	-	35,000	35,000
Discount on legal fees	-	-	18,452	18,452
System infrastructure	(10,000)	(10,000)	-	10,000
Total Non-operating Revenues:	67,750	67,750	130,598	62,848
Net income (loss)	\$ -	\$ -	151,715	\$ 151,715
RECONCILIATION TO GAAP BASIS:				
Depreciation			(19,340)	
Amortization			(218)	
Change in net assets-GAAP basis			\$ 132,157	

Gwen K. Farner

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**INDEPENDENT AUDITOR'S 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, REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Honorable Hector H. Balderas
New Mexico State Auditor
and
Members of the Board
North Ranchos de Placitas Water
and Sanitation District
Placitas, New Mexico

I have audited the financial statements of the business-type activities of the State of New Mexico North Ranchos de Placitas Water and Sanitation District (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued my report thereon dated September 9, 2008. I also have audited the budgetary comparison presented as supplementary information in the financial statements for the year ended June 30, 2008, as listed in the table of contents. I conducted my 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 my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my 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, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 entity'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.

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.

My 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 the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, other within the District, the audit committee, and the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Gwen K. Farner, CPA
Corrales, New Mexico
September 9, 2008

STATE OF NEW MEXICO
NORTH RANCHOS DE PLACITAS WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008

A. Prior year findings:

07-1 Actual expenditures exceeded budgeted amounts.
(Resolved)

B. Current year findings:

None

STATE OF NEW MEXICO
NORTH RANCHOS DE PLACITAS WATER AND SANITATION DISTRICT
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2008

FINANCIAL STATEMENTS AUDIT

The basic financial statements and notes to the financial statements for the year ended June 30, 2008, were substantially prepared by the independent certified public accountant performing the audit; however maintaining the audited entity's books and records is the responsibility of its management. Accordingly, management is responsible for ensuring that these books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance.

EXIT CONFERENCE

This report was discussed with the following individuals at an exit conference held on Tuesday, September 9, 2008.

North Ranchos de Placitas Water and Sanitation District

Trey Young, President

Don Lewis, Treasurer

Jeanne Burnley, Bookkeeper

Audit Firm

Gwen K Farner, CPA