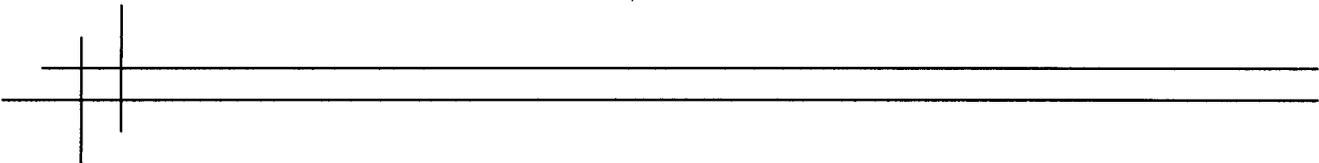


**STATE OF NEW MEXICO  
CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT  
CARRIZOZO, NEW MEXICO**

**ANNUAL FINANCIAL REPORT**  
June 30, 2007

**De'Aun Willoughby CPA, PC**  
Certified Public Accountant  
Melrose, New Mexico



STATE OF NEW MEXICO  
**CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT**  
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 For the Year Ended June 30, 2007

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STATE OF NEW MEXICO  
CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT  
Official Roster  
June 30, 2007

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**BOARD OF SUPERVISORS**

Melvin Johnson	Chairperson
Floyd Proctor	Vice-Chairperson
Steve Harkey	Secretary/Treasurer
Jim Grider	Supervisor
Jack Allen Davidson	Supervisor

**DISTRICT PERSONNEL**

Cathy Perez	Program Director
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# De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(505) 253-4313

## Independent Auditor's Report

Mr. Hector Balderas  
State Auditor of the State of New Mexico  
Board Members of the CARRIZOZO SOIL & WATER CONSERVATION DISTRICT

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carrizozo Soil & Water conservation District (District), as of and for the year ended June 30, 2007, 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 an opinion 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 of 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 opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and each major fund and the aggregate remaining fund information of the District as of June 30, 2007, and the respective changes in its financial position and the respective budgetary comparisons for major governmental funds 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 that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements and budgetary comparisons presented as supplemental information.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

*De'Aun Willoughby* CPA PC

December 1, 2008

STATE OF NEW MEXICO  
**CARRIZO SOIL AND WATER CONSERVATION DISTRICT**  
Statement of Net Assets  
June 30, 2007

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**ASSETS**

Current Assets

Cash in Banks	\$ 89,506
Note Receivable	1,331
Total Current Assets	<u>90,837</u>

Noncurrent Assets

Capital Assets	11,036
Less: Accumulated Depreciation	(648)
Total Noncurrent Assets	<u>10,388</u>

Total Assets	<u>101,225</u>
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**LIABILITIES AND NET ASSETS**

Current Liabilities

Accounts Payable	<u>0</u>
Total Current Liabilities	<u>0</u>

Total Liabilities	<u>0</u>
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Net Assets

Invested in Capital Assets	10,388
Unrestricted	<u>90,837</u>

Total Net Assets	<u>\$ 101,225</u>
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The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT**  
Statement of Activities  
For the Year Ended June 30, 2007

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Program Expenses:	
Personnel Services	\$ 5,975
Education	1,864
Board Expense	673
Travel & Per Diem	4,652
Dues & Subscriptions	2,162
Insurance & Bond	388
Annual Meeting	1,042
Office & Postage	164
Conservation Incentive	13,364
Re-Leaf Program	3,855
Miscellaneous	370
Workshop Expenses	3,269
Weed Program	5,000
Total Program Expenses	<u>42,778</u>
Program Revenues	
Charge for Services	117
Donations	1,610
Total Program Revenues	<u>1,727</u>
General Revenues	
Property Taxes	26,428
State Allocation	22,632
Interest Income	5,128
	<u>54,188</u>
Change in Net Assets	13,137
Net Assets at Beginning of Year	<u>88,088</u>
Net Assets at End of Year	<u>\$ 101,225</u>

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

STATE OF NEW MEXICO  
**CARRIZO SOIL AND WATER CONSERVATION DISTRICT**  
 GOVERNMENTAL FUNDS  
 Balance Sheet  
 June 30, 2007

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 89,506
Note Receivable	<u>1,331</u>
Total Assets	<u>\$ 90,837</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Current Liabilities	
Accounts Payable	\$ <u>0</u>
Total Liabilities	<u>0</u>
Fund Balances	
Unreserved Reported In:	
General Fund	<u>90,837</u>
Total Fund Balances	<u>90,837</u>
Total Liabilities and Fund Balances	<u>\$ 90,837</u>

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

STATE OF NEW MEXICO  
**CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT**  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Assets  
 June 30, 2007

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Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balance - Governmental Funds		\$	90,837
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
	The cost of capital assets	\$	11,036
	Accumulated depreciation is		<u>(648)</u>
			<u>10,388</u>
Total net assets - governmental activities		\$	<u><u>101,225</u></u>

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

STATE OF NEW MEXICO  
**CARRIZO SOIL AND WATER CONSERVATION DISTRICT**  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended June 30, 2007

---

	General Fund
Revenues	
Property Taxes	\$ 26,951
State Allocation	22,632
Interest Income	5,128
Donations	1,610
Miscellaneous	117
Total Revenues	<u>56,438</u>
Expenditures	
Current	
Personnel Services	5,975
Education	1,864
Board Expense	673
Travel & Per Diem	4,652
Dues & Subscriptions	2,162
Insurance & Bond	388
Annual Meeting	1,042
Office & Postage	164
Conservation Incentive	12,718
Re-Leaf Program	3,855
Miscellaneous	370
Workshop Expenses	3,267
Weed Program	5,000
Capital Outlay	11,036
Total Expenditures	<u>53,166</u>
Excess (Deficiency) of Revenues Over Expenditures	3,272
Fund Balances at Beginning of Year	<u>87,565</u>
Fund Balance End of Year	<u>\$ 90,837</u>

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

STATE OF NEW MEXICO  
**CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT**  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 to the Statement of Activities  
 June 30, 2007

---

Net Change in Fund Balance-Governmental Funds \$ 3,272

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as deferred revenues. They are however, recorded as revenues in the Statement of Activities. (523)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$	(648)	
Capital Outlays		11,036	10,388

Changes in Net Assets of Governmental Activities \$ 13,137

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

**CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT**

**GENERAL FUND**

Statement of Revenues, Expenditures, and Changes in Cash Balance -General Fund

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 24,000	\$ 24,000	\$ 27,282	\$ 3,282
State Allocation	10,500	10,500	22,632	12,132
District Loan Program	3,000	3,000	1,000	(2,000)
Interest Income	750	750	5,095	4,345
Donations	1,500	1,500	1,610	110
Miscellaneous	2,750	2,750	117	(2,633)
Total Revenues	<u>42,500</u>	<u>42,500</u>	<u>57,736</u>	<u>15,236</u>
<b>Expenditures</b>				
Personnel Services	7,000	7,000	5,975	1,025
Education	2,500	2,500	1,864	636
Board Expense	2,500	2,500	673	1,827
Travel & Per Diem	3,000	3,000	4,652	(1,652)
Dues & Subscriptions	2,000	2,000	2,162	(162)
Insurance & Bond	250	250	388	(138)
Annual Meeting	800	800	1,042	(242)
Office & Postage	100	100	164	(64)
Conservation Incentive	15,000	15,000	12,945	2,055
Re-Leaf Program	0	0	3,855	(3,855)
Miscellaneous	1,175	1,175	370	805
Workshop Expenses	425	425	3,269	(2,844)
Weed Program	5,000	5,000	5,000	0
Capital Outlay	0	15,000	11,034	3,966
Total Expenditures	<u>39,750</u>	<u>54,750</u>	<u>53,393</u>	<u>1,357</u>
Excess (Deficiency) of Revenues Over Expenditures	2,750	(12,250)	4,343	16,593
Beginning Cash Balance	<u>85,163</u>	<u>85,163</u>	<u>85,163</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 87,913</u>	<u>\$ 72,913</u>	<u>\$ 89,506</u>	<u>\$ 16,593</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 4,343	
Net Change in Property Taxes Receivable			(331)	
Net Change in Interest Receivable			(19)	
Net Change in Note Receivable			(949)	
Net Change in Accounts Payable			228	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 3,272</u>	

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

STATE OF NEW MEXICO  
**CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2007

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Carrizozo 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. The Board of Supervisors has chosen to not appoint the two additional supervisors. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

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

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

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

**B. Government-Wide and Fund financial Statements**

The government-wide financial statements (i.e., the statement of net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to significant extent on fees and charges for support. However, the District does not have any fiduciary or business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) sales of books and chemicals to customers and 2) contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

STATE OF NEW MEXICO  
CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT  
Notes to the Financial Statements  
June 30, 2007

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**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.

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.

STATE OF NEW MEXICO  
CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT  
Notes to the Financial Statements  
June 30, 2007

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**D. Assets, Liabilities, Net Assets and Fund Balance**

**Cash and Investments**

The District's cash consists of demand deposits. State statutes authorize the District to invest in certificates of deposit and the State Treasurer's Local Government Investment Pool. The State Treasurer's Local Government Investment Pool is not SEC registered. Section 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in short-term investment fund in securities that are issued by the United States government or by its department or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month, all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government investment pool is voluntary. The investments are carried at fair value based on quoted market prices as of the valuation date.

**Taxes Receivable**

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

**Capital Assets**

Capital assets, which include property, equipment (including software), farm equipment and furniture 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.

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

Farm equipment	7 years
Off-road vehicle	5 years
Computer equipment	5 years

STATE OF NEW MEXICO  
**CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2007

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**Accounts payable**

The account payable as of the balance sheet date includes routine monthly bills for services rendered and products purchased which are paid in the following month.

**Deferred Revenue**

The District's share of Lincoln County's delinquent property taxes appears as property taxes receivable in both the statement of net assets and the governmental funds balance sheet. In the government-wide financial statements, this amount has been recognized as revenue in the Statement of Activities. In the fund financial statements, the portion not collected within 60 days of the balance sheet is presented as deferred revenue.

**Compensated Absences**

The District's Program Director does not earn vacation or sick leave from the District. The program Director is an employee of Lincoln County. The District reimburses the County for a portion of the salary earned by the Program Director. The weed program coordinator is a part-time employee of the District.

It is the District's policy to permit the weed coordinator to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide financial statements. A current liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of resignations and retirements.

According to District policy, the weed coordinator accrues leave at six hours per month. The weed coordinator may not carry more than 160 hours forward from one calendar year to the next.

**Net Assets and Fund Balance**

The difference between the District's assets and liabilities is its net assets. The District's net assets consist of four components — invested in capital assets, which is the cost of capital assets, net of accumulated depreciation, restricted for the benevolence fund, restricted for the loan program and unrestricted net assets. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation and/or are legally restricted by outside parties for use for a specific purpose. A portion of the fund balance has been reserved for the loan program. The loan program resources have been classified as restricted assets on the Statement of Net Assets because their use is restricted by the lender.

STATE OF NEW MEXICO  
CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT  
Notes to the Financial Statements  
June 30, 2007

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**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 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. There were no changes made to the budget during the fiscal year. Encumbrance accounting is not utilized by the District.

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

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

Reconciliations are located at the bottom of each budget actual.

STATE OF NEW MEXICO  
**CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2007

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**III. Detailed Notes on all Funds**

**A. Cash and Investments**

**Cash and Investments Cash in Bank:**

Wells Fargo

Account Name	Account Type	Bank Balance	Reconciled Balance
Carrizozo Soil & Water Conservation District	Checking	\$ 18,861	\$ 14,428
Carrizozo Soil & Water Conservation District	Savings	75,078	75,078
	Total	<u>93,939</u>	<u>\$ 89,506</u>
	Less: FDIC coverage	<u>(93,939)</u>	
	Amount uninsured	<u>\$ 0</u>	

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

*Custodial Credit Risk* — Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2007, none of the Districts bank balances were exposed to custodial credit risk.

**B. Capital Assets**

	Balance 6/30/06	Additions	Deletions	Balance 6/30/07
Capital Assets, being Depreciated				
Equipment	0	11,036	0	11,036
Total Capital Assets, being Depreciated	<u>0</u>	<u>11,036</u>	<u>0</u>	<u>11,036</u>
<b>Less Accumulated Depreciation</b>				
Equipment	0	648	0	648
Total Accumulated Depreciation	<u>0</u>	<u>648</u>	<u>0</u>	<u>648</u>
	<u>\$ 0</u>	<u>\$ 10,388</u>	<u>\$ 0</u>	<u>\$ 10,388</u>

Depreciation expense was charged to governmental activities as follows:

Conservation	\$ 648
Total depreciation expenses	<u>\$ 648</u>

STATE OF NEW MEXICO  
**CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2007

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**C. Related Party Transactions**

On May 16, 2000, the District loaned Board member Knollene McDaniel \$5,000 at the interest rate of 2% with principal and interest payments of \$2,550 due on November 16, 2000 and May 16, 2001. The unsecured loan was made to finance a conservation project and the required payments have not been made by the board member to date. The Board of Supervisors approved the renewals of the loan through May 3, 2008. The balance on June 30, 2007 was \$1,331.

**IV. Other Information**

**A. Employee Benefits**

The District does not offer a pension plan, deferred compensation plan, or post-employment benefits to its employees. The District's Program Director is on Lincoln County's payroll, which handles the Director's deductions and benefits including a retirement program (PERA) and health insurance. The District reimburses the County for the Program Director's salary only. The District reimburses the Weed Specialist for a portion of her medical insurance premiums.

**B. Risk Management**

The District is exposed to various risks of loss due to torts, theft or damage of assets, errors and omissions and natural disasters. The District's supervisors and employees are covered by an errors and omissions liability policy purchased by the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,000,000 for each wrongful act and \$1,000,000 for the policy aggregated. The District is required to obtain a corporate fidelity bond on behalf of persons responsible for District assets. The District currently maintains a \$75,000 fidelity bond on its Program Director and Board of Supervisors. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

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. Hector Balderas  
State Auditor of the State of New Mexico  
Board Members of the CARRIZOZO SOIL & WATER CONSERVATION DISTRICT

Mr. Balderas and Members of the Board

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds and the combining and individual funds presented as supplemental information of Carrizozo Soil & Water Conservation District, (District), as of and for the year ended June 30, 2007, and have issued our report thereon dated December 1, 2008. 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 the auditing procedures for the purpose of expressing 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 deficiencies, 04-01 and 07-01, described in the accompanying Schedule of Findings and Responses 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 the 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 and, accordingly, would not necessarily 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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the finding in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the New Mexico State Legislature and its committees, the Office of the State Auditor, the New Mexico Department of Finance and Administration - Local Government and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

*DeAnn Willoughby CPA PC*

December 1, 2008

STATE OF NEW MEXICO  
CARRIZOZO SOIL AND WATER CONSERVATION DISTRICT  
Findings and Responses  
June 30, 2007

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**Prior Year Audit Findings**

	<u>Status</u>
04-01 Past Due Low Interest Loan	Modified and Repeated
06-01 Lack of Supporting Documentation for a Cost share Project	Resolved

**Current Year Audit Findings**

04-01 Past Due Low Interest Loan

Condition

In May of 2000 the District made a \$5,000 low interest loan to a former board member. The loan agreement stated that the former board member would pay back the \$5,000 plus \$50 of interest six months later. During the fiscal year ending June 30, 2007, \$949 was paid plus interest. However, a balance of \$1,331 was owed at the end of the fiscal year.

Criteria

It is good account practice to ensure that all amounts owed to the District are properly accounted for in the District's general ledger and collected in full in accordance with the loan agreement. The anti-donation clause of the State Constitution states: "Neither the state nor any county, school district or municipality ... shall directly or indirectly lend or pledge its credit or make any donation to or in aid of any person..."

Effect

The note receivable could go uncollected if the District doesn't pursue adequate collection efforts. The account balance could be misstated if it is not properly accounted for in the general ledger.

Cause

The district in the past has been sympathetic to the former board member.

Recommendation

The District should continue to pursue the collection of this past due loan balance including interest.

Response

The District understands the importance of pursuing payments on the loan to Knollene McDaniel. A letter was sent requesting another payment and informing Mrs. McDaniel of the audit finding due to this loan not being paid in a timely manner. When the District receives a payment, the payment history which was developed in the past year will be updated.

## 07-1 Late Audit Report

### Condition

The audit report was filed after the due date. The report was submitted on 12/1/08 to the State Auditor's Office.

### Criteria

According to the State Auditor Rule 2.2.2.9 (d), the audit report due date for the District is December 1.

### Cause

The District did not contract with the auditor until after the due date of the audit report.

### Effect

The 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. Late audit report could have an effect on state and federal funding.

### Recommendation

The District should make every effort to hire an auditor and complete their audit timely.

### Response

We will make an effort to solicit an auditor and complete our audit timely.

## **Financial Statement Preparation**

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

## **Exit Conference**

An exit conference was held on December 1, 2008. Those present were Melvin Johnson, Chairperson, Cathy Perez, Program Director, and De'Aun Willoughby, CPA.