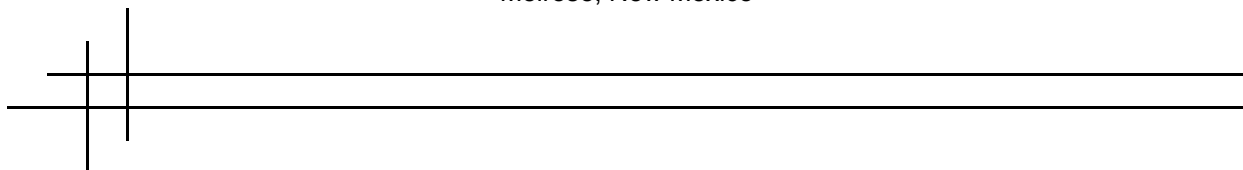


**STATE OF NEW MEXICO  
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT**

**ANNUAL FINANCIAL REPORT**  
June 30, 2009

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



STATE OF NEW MEXICO  
**EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT**  
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 For the Year Ended June 30, 2009

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STATE OF NEW MEXICO  
**EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT**  
Official Roster  
June 30, 2009

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**BOARD OF SUPERVISORS**

Leroy Salazar	Chairperson
Kenneth Salazar	Vice-Chairperson
Lucas Cordova	Treasurer
Levi Sanchez	Secretary
Silviano Romero	Member

**DISTRICT PERSONNEL**

Clara Dubois	Administrative Assistant
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**De'Aun Willoughby CPA, PC**

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

Independent Auditor's Report

Mr. Hector Balderas  
State Auditor of the State of New Mexico  
Board Supervisors of the EAST RIO ARRIBA SOIL & WATER CONSERVATION DISTRICT

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the governmental activities, the general fund, and the respective budgetary comparison of the East Rio Arriba Soil & Water Conservation District (District), as of and for the year ended June 30, 2009, 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 the general fund of the District as of June 30, 2009, and the respective changes in its financial position, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 13, 2009 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*

November 13, 2009

STATE OF NEW MEXICO  
**EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT**  
 Government-Wide Statement of Net Assets  
 June 30, 2009

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ASSETS

Current Assets

Cash in Banks	\$ 216,543
Taxes	5,887
Due from Grantor	23,470
Total Current Assets	<u>245,900</u>

Noncurrent Assets

Capital Assets	54,825
Less: Accumulated Depreciation	<u>(42,410)</u>
Total Noncurrent Assets	<u>12,415</u>

Total Assets	<u>258,315</u>
--------------	----------------

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	2,725
Accrued Payroll	576
Current Portion of Long-Term Debt	<u>2,107</u>
Total Current Liabilities	<u>5,408</u>

Long-Term Liabilities

Loans	<u>0</u>
Total Long-Term Liabilities	<u>0</u>

Total Liabilities	<u>5,408</u>
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Net Assets

Invested in Capital Assets	10,308
Unrestricted	<u>242,599</u>

Total Net Assets	<u>\$ 252,907</u>
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The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT**  
 Government-Wide Statement of Activities  
 For the Year Ended June 30, 2009

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Program Expenses	
Conservation	\$ 32,699
Personnel Service	20,486
Operating Expenses	30,215
Interest Expense	124
Depreciation	3,458
Total Program Expenses	<u>86,982</u>
Program Revenues	
Charge for Service	1,295
Operating Grant	63,852
Total Program Revenues	<u>65,147</u>
Net Program (Expense) Revenue	<u>(21,835)</u>
General Revenues	
Property Taxes	196,914
State Allocation	10,751
Interest Income	264
	<u>207,929</u>
Change in Net Assets	186,094
Net Assets at Beginning of Year	<u>66,813</u>
Net Assets at End of Year	<u>\$ 252,907</u>

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

STATE OF NEW MEXICO  
**EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT**  
 GOVERNMENTAL FUNDS  
 Balance Sheet  
 June 30, 2009

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 216,543
Receivables	
Taxes	5,887
Due from Grantor	<u>23,470</u>
Total Assets	<u>\$ 245,900</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Current Liabilities	
Accounts Payable	\$ 2,725
Accrued Payroll	<u>576</u>
Total Liabilities	<u>3,301</u>
Fund Balances	
Unreserved Reported In:	
General Fund	<u>242,599</u>
Total Fund Balances	<u>242,599</u>
Total Liabilities and Fund Balances	<u>\$ 245,900</u>

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

STATE OF NEW MEXICO  
**EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT**  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Assets  
 June 30, 2009

---

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balance - Governmental Funds		\$	242,599
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	\$	54,825
	Accumulated depreciation is		<u>(42,410)</u>
			12,415
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.			(2,107)
Total net assets - governmental activities		\$	<u><u>252,907</u></u>

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



STATE OF NEW MEXICO  
**EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT**  
 GOVERNMENTAL FUNDS  
 Statement of Revenues, Expenditures and Changes  
 in Fund Balance  
 For the Year Ended June 30, 2009

---

	General Fund
Revenues	
Property Taxes	\$ 196,914
Charge for Services	1,295
Interest Income	264
State Grants	74,603
Total Revenues	<u>273,076</u>
Expenditures	
Current	
Conservation	32,699
Dues	825
Insurance	1,872
Meetings	8,680
Miscellaneous	1,181
Office Expenses	10,280
Personnel Service	20,486
Repairs & Maintenance	1,504
Training	2,950
Travel	1,223
Utilities	1,700
Capital Outlay	12,729
Debt Service	
Principal	2,045
Interest	124
Total Expenditures	<u>98,298</u>
Excess (Deficiency) of Revenues Over Expenditures	174,778
Fund Balances at Beginning of Year	<u>67,821</u>
Fund Balance End of Year	<u>\$ 242,599</u>

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

STATE OF NEW MEXICO  
**EAST RIO ARRIBA 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, 2009

---

Net Change in Fund Balance \$ 174,778

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

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	\$	(3,458)	
Capital Outlays		12,729	9,271

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 2,045

Changes in Net Assets of Governmental Activities \$ 186,094

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

**EAST RIO ARRIBA 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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 110,000	\$ 110,000	\$ 192,660	\$ 82,660
Charge for Services	2,220	2,220	1,295	(925)
Interest Income	350	350	264	(86)
State Grants	81,725	81,725	51,133	(30,592)
<b>Total Revenues</b>	<u>194,295</u>	<u>194,295</u>	<u>245,352</u>	<u>51,057</u>
<b>Expenditures</b>				
Conservation	42,495	42,495	34,609	7,886
Dues	1,770	1,770	825	945
Election				0
Insurance	2,000	2,000	1,872	128
Meetings	10,000	10,000	8,680	1,320
Miscellaneous	760	760	1,139	(379)
Office Expenses	21,725	21,725	10,362	11,363
Personnel Service	19,399	19,399	19,842	(443)
Repairs & Maintenance	2,500	2,500	1,504	996
Training	10,000	10,000	2,450	7,550
Travel	5,375	5,375	596	4,779
Utilities	2,000	2,000	1,689	311
Capital Outlay	17,831	17,831	12,729	5,102
Debt Service				
Principal	2,045	2,045	2,045	0
Interest	124	124	124	0
<b>Total Expenditures</b>	<u>138,024</u>	<u>138,024</u>	<u>98,466</u>	<u>39,558</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>56,271</b>	<b>56,271</b>	<b>146,886</b>	<b>90,615</b>
<b>Beginning Cash Balance</b>	<u>69,657</u>	<u>69,657</u>	<u>69,657</u>	<u>0</u>
<b>Cash Balance End of Year</b>	<u>\$ 125,928</u>	<u>\$ 125,928</u>	<u>\$ 216,543</u>	<u>\$ 90,615</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 146,886	
Net Change in Taxes Receivable			4,253	
Net Change in Due from Grantor			23,470	
Net Change in Accounts Payables			349	
Net Change in Accrued Payroll			(180)	
Net Change in Fund Balance			<u>174,778</u>	

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

STATE OF NEW MEXICO  
**EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2009

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The East Rio Arriba 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 non fiduciary 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 grants that are used for conservation expenses properly included among program revenues are reported instead as general revenues. Taxes and other items' not properly included among program revenues are reported instead as general revenues.

STATE OF NEW MEXICO  
**EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2009

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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, expenditures as well as expenditures related to claims and judgments, if any are recorded only when payment is due.

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 District.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity, if applicable, has been eliminated from the government-wide financial statements. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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

**Cash and Investments**

The District's cash and cash equivalents consists of demands and short term investments (certificates of deposit) with original maturities of six months or less from the date of acquisition.

State statutes authorize the district to invest in obligations of the U.S. Treasury, repurchase agreements, and certificates of deposit. Investments for the government, if applicable, are reported at fair value.

STATE OF NEW MEXICO  
**EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2009

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**Receivables and Payables**

Property taxes attached 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 San Miguel 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:

Office Equipment	5 years
Farm Equipment	5 years
Trailer	5 years
Carport	5 years

**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.

**Compensated Absences**

The District employee does not earn annual, vacation or sick leave.

**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, 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.

**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:

STATE OF NEW MEXICO  
**EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT**  
 Notes to the Financial Statements  
 June 30, 2009

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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.

**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 the general fund budget actual.

**III. Detailed Notes on all Funds**

**A. Cash and Investments**

Valley National Bank		Bank	
Account Name	Account Type	Balance 6/30/2009	Reconciled Balance
East Rio Arriba SWCD	Checking	\$ 180,137	\$ 178,243
East Rio Arriba SWCD Noxious Weed	Checking	32,984	32,984
East Rio Arriba SWCD	Savings	521	521
	Total	213,642	\$ 211,748
	Less: FDIC coverage	(213,642)	
	Amount uninsured	0	

STATE OF NEW MEXICO  
**EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2009

Century Bank	Account Name	Account Type	Bank Balance 6/30/2009	Reconciled Balance
	East Rio Arriba SWCD	Savings	\$ 4,795	\$ 4,795
		Total	4,795	4,795
		Less: FDIC coverage	(4,795)	
		Amount uninsured	\$ 0	

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 the end of the fiscal year none of the Districts bank balances were exposed to custodial credit risk.

**B. Capital Assets**

	Beginning Balance 6/30/08	Additions	Deletions	Ending Balance 6/30/09
Capital Assets, being Depreciated				
Building Improvements	\$ 1,054	\$ 0	\$ 0	\$ 1,054
Farm Equipment	36,452	12,729	0	49,181
Office Equipment	4,590	0	0	4,590
Total Capital Assets, being Depreciated	42,096	12,729	0	54,825
<b>Less Accumulated Depreciation</b>				
Building Improvements	1,054	0	0	1,054
Farm Equipment	33,899	3,152	0	37,051
Office Equipment	3,999	306	0	4,305
Total Accumulated Depreciation	38,952	3,458	0	42,410
	\$ 3,144	\$ 9,271	\$ 0	\$ 12,415

Depreciation expense was charged to the conservation function.

**C. Long Term Debt**

A summary of activity in the Long-Term Debt is as follows:

	Beginning Balance 6/30/08	Reductions	Ending Balance 6/30/09	Amounts Due Within One Year
Loans and Notes Payable	\$ 4,152	\$ 2,045	\$ 2,107	\$ 0

Payments on the loans are made by the General Fund.

The District has entered into the following loans with the New Mexico Finance Authority to finance the costs of acquiring conservation equipment. The interest rate is 3% plus a .25% administrative fee.



STATE OF NEW MEXICO  
**EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2009

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The debt service requirements to maturity are as follows:

	Principal	Interest & Admin. Fee	Total
2010 \$	2,107	\$ 64	\$ 2,171
\$	2,107	\$ 64	\$ 2,171

**IV. Other Information**

**A. Employee Benefits**

The District no longer participates in this benefit.

**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 \$1,050,000 for each wrongful act and \$1,050,000 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 \$50,000 fidelity bond on its District Clerk and 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.

**C. Contingent Liabilities**

There are no known contingent liabilities and there are no provisions for contingencies in these financial statements.

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 EAST RIO ARRIBA 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 East Rio Arriba Soil & Water Conservation District, (District), as of and for the year ended June 30, 2009, and have issued our report thereon dated November 17, 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 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.

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.

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 or material weakness. We did not identify any deficiencies in internal control over financial reporting that we 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, 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.

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.

*De'Ann Willoughby CPA PC*

November 13, 2009

STATE OF NEW MEXICO  
**EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT**  
Schedule of Findings and Responses  
June 30, 2009

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**Prior Year Audit Findings**

**07-1** Late Audit Report

**Status**  
Resolved

**Current Year Audit Findings**

There are no current year audit findings.

**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 November 13, 2009. Those present were Leroy Salazar-Chairman, Clara Dubois-Administrative Assistant and De'Aun Willoughby, CPA.