



MACIAS, GUTIERREZ & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
ESPANOLA, NEW MEXICO  
[www.mgandc.com](http://www.mgandc.com)

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**STATE OF NEW MEXICO**

**EAST RIO ARRIBA SOIL AND WATER  
CONSERVATION DISTRICT**

Accountants' Compilation Report (ACR)

and

Independent Accountants' Report on Applying  
Agreed-Upon Procedures (AUP)

Year Ended June 30, 2011

**STATE OF NEW MEXICO**

**EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT**

**Financial Statements  
Year Ended June 30, 2011**

**With Accountants' Compilation Report (ACR) Thereon**

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

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June 30, 2011**

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

**Official Roster  
at June 30, 2011**

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**Board Members**

Leroy J. Salazar  
Kenneth V. Salazar  
J. Lucas Cordova  
Ross Garcia, Jr.  
Ted Salazar

Chairman  
Vice-Chairman  
Treasurer  
Secretary  
Member

**District Personnel**

Clara Dubois  
Esperanza Trujillo

Administrative Assistant  
Administrative Assistant



Macias, Gutierrez  
& Co., P.C.

*Certified Public Accountants*  
*Member AICPA, NMSCPA*

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Española, New Mexico 87532  
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## ACCOUNTANTS' COMPILATION REPORT

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Leroy J. Salazar, Chairman  
East Rio Arriba Soil and Water Conservation District  
and  
Honorable Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

We have compiled the accompanying statements of the governmental activities and each major fund of the State of New Mexico, East Rio Arriba Soil and Water Conservation District (District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management of the District is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has omitted the management's discussion and analysis information that is required to be presented for purposes of additional analysis. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

*Macias, Gutierrez & Co., CPAs, P.C.*

Macias, Gutierrez & Co., CPAs, P.C.  
Española, New Mexico  
January 5, 2012

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

Exhibit A

Statement of Net Assets  
June 30, 2011

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	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Current assets:	
Cash and cash equivalents	\$ 401,089
Investments	5,175
Taxes	6,675
Due from BLM	<u>10,000</u>
Total current assets	422,939
Noncurrent assets:	
Capital assets, net of depreciation	<u>17,809</u>
Total assets	<u>440,748</u>
<b><u>Liabilities</u></b>	
Current liabilities:	
Accounts payable	1,786
Accrued payroll and related taxes	5,281
Current portion of long-term debt	<u>1,545</u>
Total current liabilities	8,612
Long-term liabilities:	
NMFA Loan	<u>4,483</u>
Total liabilities	<u>13,095</u>
<b><u>Net Assets</u></b>	
Invested in capital assets	17,809
Unrestricted	<u>409,844</u>
Total net assets	<u>\$ 427,653</u>

See accompanying notes and accountants' compilation report.

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

Exhibit B

Statement of Activities  
Year Ended June 30, 2011

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	<u>Governmental Activities</u>
Expenses:	
General government:	
Current:	
Conservation	\$ 136,881
Personnel service	78,163
Operating expenses	60,610
Interest expense	111
Depreciation expense	950
	<hr/>
Total expenses	276,715
	<hr/>
Program revenues:	
Charges for services	1,839
Federal grant	10,000
State/local government grants	49,435
	<hr/>
Total program revenues	61,274
	<hr/>
Net program expense	(215,441)
	<hr/>
General revenues:	
Property taxes	277,898
Interest income	2,128
Gain on sale of equipment	4,800
	<hr/>
Total general revenues	284,826
	<hr/>
Change in net assets	69,385
	<hr/>
Net assets, beginning	358,268
	<hr/>
Net assets, ending	<u>\$ 427,653</u>

See accompanying notes and accountants' compilation report.

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

Exhibit C

Balance Sheet - Governmental Funds  
June 30, 2011

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	<u>General Fund</u>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 401,089
Investments	5,175
Receivables:	
Taxes	6,675
Due from BLM	<u>10,000</u>
Total assets	<u><u>\$ 422,939</u></u>
<b><u>Liabilities and Fund Balance</u></b>	
Current liabilities:	
Accounts payable	\$ 1,786
Accrued payroll and related taxes	5,281
Current portion of long-term debt	<u>1,545</u>
Total current liabilities	8,612
Unassigned reported in:	
General fund	<u>414,327</u>
Total fund balance	<u>414,327</u>
Total liabilities and fund balance	<u><u>\$ 422,939</u></u>

See accompanying notes and accountants' compilation report.



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

**Reconciliation of the Governmental Funds Balance Sheet  
to the Government-Wide Statement of Net Assets  
June 30, 2011**

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Total fund balance-Governmental funds \$ 414,327

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

Capital assets used in governmental activities are not  
current financial resources and, therefore, are not  
reported in the Governmental Funds Balance Sheet.

These assets consist of:

Building improvements	\$ 1,054	
Farm equipment	41,591	
Office equipment	3,490	
Accumulated depreciation	<u>(28,326)</u>	17,809

Long-term liabilities applicable to governmental activities  
are not due and payable in the current period and  
accordingly are not reported as fund liabilities. These  
consist of:

Long-term portion of NMFA loan	<u>(4,483)</u>
--------------------------------	----------------

Net assets of governmental activities \$ 427,653

See accompanying notes and accountants' compilation report.

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

**Exhibit D**

**Statement of Revenues, Expenditures and Changes in  
Fund Balances - Governmental Funds  
Year Ended June 30, 2011**

	<u>General Fund</u>
Revenues:	
Property taxes	\$ 277,898
Charges for services	1,839
Interest income	2,128
Federal grants	10,000
State/local government grants	<u>49,435</u>
Total revenues	<u>341,300</u>
Expenditures:	
General government:	
Current:	
Conservation	136,881
Dues	1,850
Insurance	2,872
Meetings	9,149
Miscellaneous	4,352
Office expenses	19,592
Small tools	4,132
Personnel service	78,163
Repairs & Maintenance	4,073
Training	3,405
Travel	8,507
Utilities	2,435
Capital outlay	7,690
Debt service:	
Principal	1,788
Interest	<u>111</u>
Total expenditures	<u>285,000</u>
Excess (deficiency) of revenues over expenditures	56,300
Other financing sources (OFS)	
Gain on sale of equipment	<u>4,800</u>
Excess (deficiency) of revenues over expenditures and OFS	61,100
Fund balance, beginning	<u>353,227</u>
Fund balance, ending	<u><u>\$ 414,327</u></u>

See accompanying notes and accountants' compilation report.

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

**Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Government-Wide Statement of Activities  
Year Ended June 30, 2011**

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Net change in fund balance-Governmental Funds	\$ 61,100
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	
In the current period, these amounts are:	
Depreciation expense	(950)
Capital outlay	7,690
Some items reported in the Statement of Activities are not are not sources or uses of current financial resources, and therefore, are not reported as revenue or expenditures in governmental funds. These consist of:	
Change in short-term NMFA loan payable	(243)
Some items are reported as an expenditure in the governmental funds, but reduce the long-term liabilities in the Statement of Net Assets. These activities consist of:	
Repayment of NMFA loan payable	<u>1,788</u>
Change in net assets of governmental activities	<u>\$ 69,385</u>

See accompanying notes and accountants' compilation report.

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

**Notes to Financial Statements  
June 30, 2011**

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**1. History and Organization**

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.

**2. Summary of Significant Accounting Policies**

The financial statements of the District have been prepared in conformity with accounting principles generally accepted (US GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes US GAAP for governmental units. The more significant of the District's accounting policies are described below.

**A. Financial Reporting Entity**

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 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 Board of Supervisors has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined in Section 2100, ***Codification of Governmental Accounting and Financial Reporting Standards***. There are no component units, financially dependent affiliates, nor is it legally liable for actions of other agencies. Included within the reporting entity is the District as described above.

**B. Basic Financial Statements – GASB Statement No. 34**

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The GASB No. 34 reporting model focus is on either the District, as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities.

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

**Notes to Financial Statements  
June 30, 2011**

---

**2. Summary of Significant Accounting Policies (cont'd)**

**B. Basic Financial Statements – GASB Statement No. 34 (cont'd)**

The District has only governmental type activities. Neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental column reflects an accrual basis of accounting, economic measurement focus resources basis, which incorporates long-term assets as well as long-term debt and obligations. 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. The District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduced gross expenses (including depreciation) by related program revenues and operating grants. The program revenues must be directly associated with the function. The District includes only one function (conservation).

Program revenues include charges for services and state and local government operating grants. General revenues (property taxes, interest income and gain on sale of equipment ) normally cover the net cost (by function). Historically, the previous model did not summarize or present net cost by function or activity. This government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous accounting model.

The governmental fund statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the District's actual experience conforms to the budget or fiscal plan.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column on the government-wide presentation.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available or use, generally it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

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

**Notes to Financial Statements  
June 30, 2011**

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**2. Summary of Significant Accounting Policies (cont'd)**

**C. Basis of Presentation – Fund Accounting**

The financial transactions of the District are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, expenditures and other financing sources or uses. The District also has debt service requirements. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The various funds are summarized by type and reported by generic classification in the accompanying financial statements. The reporting model, GASB Statement No. 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures. The general fund is always considered a major fund. The District uses the following fund types:

**GOVERNMENTAL FUND TYPES**

The focus of Governmental Fund measurement (in the fund financial statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Fund types of the District.

**General Fund** – The General Fund is the general operating fund of the District and is used to account for all financial resources; there are no resources required to be accounted for in another fund.

**D. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The government-wide financial statements are presented on the accrual basis of accounting. The governmental funds in the fund financial statements are presented on the modified accrual basis.

**Modified Accrual** – All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within sixty days thereafter in order to pay current liabilities. Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue in the current fiscal period. All other revenue items are considered to be measurable and available on when cash is received by the District. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

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

**Notes to Financial Statements  
June 30, 2011**

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**2. Summary of Significant Accounting Policies (cont'd)**

**E. Cash and Investments**

The District has defined cash and cash equivalents to include demand deposits and short-term investments (certificates of deposit) with original maturities of six months or less from the date of acquisition. New Mexico 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.

**F. Receivables**

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 Rio Arriba County Treasurer and are remitted to the District on the month following collection. No allowance for doubtful accounts is established at June 30 since the amount is collected in the subsequent month.

**G. Capital Assets**

Capital assets are tangible assets that are used in operations and that have initial useful lives that extend beyond a single reporting period. Capital assets are reported in the Statement of Net Assets at historical cost or estimated fair value, if donated. Capital assets are depreciated using the straight-line method over their estimated useful lives. Before the 2005 legislative session, only items costing more than \$1,000 were capitalized.

Effective June 19, 2005, House Bill 1074 amended Section 12-6-10, NMSA 1978, to increase the capitalization threshold to items costing more than \$5,000. Repairs and maintenance expenses are charged to operations when incurred and major betterments and replacements are capitalized.

Computer software which is purchased with data processing computer equipment is included as part of the capitalized data processing computer equipment in accordance with 2.20.1.9 C (5). The major classifications of capital assets and their related depreciable lives are as follows:

Building Improvements	15 years
Farm Equipment	5-15 years
Office Equipment	5-15 years

**H. Accounts Payable**

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

**I. Accrued Compensated Absences**

District employees do not earn annual, vacation or sick leave.

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

**Notes to Financial Statements  
June 30, 2011**

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**2. Summary of Significant Accounting Policies (cont'd)**

**J. Net Assets and Fund Balance**

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt, if applicable), restricted and unrestricted.

Investment in capital assets (net of related debt) – is intended to reflect the portion of net assets which are associated with capital assets less outstanding capital asset related debt. The District has no debt related to capital assets. Restricted net assets – are net assets (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use. Unrestricted net assets – are net assets that do not have third-party (statutory, bond covenant or granting agency) limitations on their use.

In the fund financial statements, governmental funds can report fund balances as:

Nonspendable - amounts that are not in spendable form (such as inventory) or are required to be maintained intact;

Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned - amounts a government intends to use for a specific purpose, intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned - amounts that are available for any purpose, positive amounts are reported only in the general fund.

The District's fund balance is unassigned.

**K. Use of Estimates**

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



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

**Notes to Financial Statements  
June 30, 2011**

**3. Cash and Investments**

Cash and investments of the District at June 30, 2011:

<u>Name of Depository</u>	<u>Account Name</u>	<u>Bank Balance</u>	<u>Outstanding Checks</u>	<u>Financial Statement Balance</u>
Valley National Bank	East Rio Arriba SWCD-Operating	\$373,984	\$ (13,660)	\$360,324
	East Rio Arriba SWCD-Noxious Weed	40,240	-	40,240
	East Rio Arriba SWCD-Savings	525	-	525
	Total Valley National Bank	\$414,749	\$ (13,660)	\$401,089
	Less: FDIC coverage	(250,000)		
	Amount uninsured	<u>\$164,749</u>		
Century Bank	East Rio Arriba SWCD- 5 year Certificate of Deposit	\$ 5,175	\$ -	\$ 5,175
	Less: FDIC coverage	(5,175)		
	Amount uninsured	<u>\$ -</u>		

*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 did not have a deposit policy for custodial credit risk. During the year, the highest uninsured balance at Valley National Bank was \$189,653. At year end, the District’s balances in Valley National Bank were uninsured in the amount of \$164,749. The bank did not provide pledged collateral at any time during the year.

The CD is considered an investment. It has an initial maturity date of more than three months.

**4. Changes in Capital Assets**

A summary of changes in capital assets is as follows:

	<u>Balance 7/1/10</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/11</u>
Building Improvements	\$ 1,054	\$ -	\$ -	\$ 1,054
Accumulated depreciation	(1,054)	-	-	(1,054)
Farm Equipment	46,646	7,690	12,745	67,081
Accumulated depreciation	(35,614)	(913)	(12,745)	(49,272)
Office Equipment	3,490	-	-	3,490
Accumulated depreciation	(3,453)	(37)	-	(3,490)
Totals	<u>\$ 11,069</u>	<u>\$ 6,740</u>	<u>\$ -</u>	<u>\$ 17,809</u>

There is no debt related to capital assets. Depreciation expense for the year, \$950, was charged to the conservation function.

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

**Notes to Financial Statements  
June 30, 2011**

**5. Changes in Long-Term Debt**

A summary of changes in long-term debt is as follows:

	<u>Balance 7/1/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/11</u>	<u>Amount Due Within One Year</u>
NM Finance Authority Loan Payable	\$ 7,816	\$ -	\$ (1,788)	\$ 6,028	\$ 1,545

The District's general fund pays the loan. The long-term portion of the loan payable is \$4,483. On June 18, 2010, the District entered into a five-year loan agreement in the amount of \$7,816 with the New Mexico Finance Authority (NMFA) to finance the cost of acquiring conservation equipment totaling \$7,700. All equipment acquired is below the capital asset threshold described in note 2.G. above. The \$116 difference is the NMFA administrative fee. The blended interest rate was 1.628% over the five-year period.

Debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2012	\$ 1,545	\$ 95	\$ 1,640
2013	1,561	78	1,639
2014	1,584	56	1,640
2015	1,338	28	1,366
Thereafter	-	-	-
	<u>\$ 6,028</u>	<u>\$ 257</u>	<u>\$ 6,285</u>

**6. Risk Management and Litigation**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District's supervisors and employees are covered by an errors and omissions liability policy purchased through the State of New Mexico, General Services Department, Risk Management Division. The limits for this policy are \$1,050,000 for each wrongful act and \$1,050,000 for the policy aggregated. The District also purchases commercial property and inland marine coverage for equipment and additional general liability coverage in the amount of \$2,000,000 general aggregate limit and \$1,000,000 each occurrence limit. 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 the employees and Board of Supervisors.

The District has not sustained any losses during the last several years. There are no pending or known threatened legal proceedings involving matters to which the District is a party.

**7. Contingent Liabilities**

There are no known contingent liabilities and, therefore, no provision for contingencies in these financial statements.

**STATE OF NEW MEXICO**

**EAST RIO ARRIBA SOIL AND WATER  
CONSERVATION DISTRICT**

**Independent Accountants' Report on Applying  
Agreed-Upon Procedures (AUP)**

**Year Ended June 30, 2011**

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

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June 30, 2011**

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

**Official Roster  
at June 30, 2011**

---

**Board Members**

Leroy J. Salazar  
Kenneth V. Salazar  
J. Lucas Cordova  
Ross Garcia, Jr.  
Ted Salazar

Chairman  
Vice-Chairman  
Treasurer  
Secretary  
Member

**District Personnel**

Clara Dubois  
Esperanza Trujillo

Administrative Assistant  
Administrative Assistant



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& Co., P.C.

*Certified Public Accountants*  
*Member AICPA, NMSCPA*

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## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

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To: Leroy J. Salazar, President  
East Rio Arriba Soil and Water Conservation District  
and  
Honorable Hector H. Balderas  
New Mexico State Auditor

We have performed the procedures enumerated below for the East Rio Arriba Soil and Water Conservation District (ERASWCD), for the year ended June 30, 2011, solely to assist the ERASWCD in demonstrating compliance with a Tier 6 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978, as set forth in the accompanying Exhibits A, B and C. The procedures were agreed to by the ERASWCD through the Office of the New Mexico State Auditor. The East Rio Arriba Soil and Water Conservation District's management is responsible for the organization's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

### **1. Cash**

#### **Procedures**

- a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.
- b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division (DFA-LGD).
- c) Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

#### **Findings**

- a) The ERASWCD has two checking accounts (an operating account and a Noxious weed account), one savings account and one certificate of deposit (CD) and utilizes Quickbooks to record cash transactions. All bank reconciliations are performed on a timely basis and all bank statements were complete and on-hand for the entire year.

- b) Random tests of bank reconciliations revealed no exceptions for checking accounts. We tested July, November 2010 and April, June 2011 for the operating account and August, October 2010 and March, June 2011 for the Noxious weed account. The savings account statements all agree but have a bank statement period end as of the 7<sup>th</sup> of each month. The CD general ledger book amount was still recorded at original purchase amount (\$4,121.90) from August 31, 2005 and had not been increased for interest earned through June 30, 2011. The correct CD balance at June 30, 2011 was \$5,174.74. The Operating and Noxious Weed account balances agreed with the financial report submitted to DFA-Local Government Division at June 30, 2011. The actual savings account balance at June 30, 2011 was \$524.33 but \$524.51 was reported.
- c) Valley National Bank account balances exceeded insured limits (\$250,000) at various times during the year and at year end, and, therefore pledged collateral was required but not requested or provided by Valley National Bank at any time during the year. The largest three account collective balance at Valley National Bank was \$439,653 on June 10, 2011 which would have required a minimum of \$94,826 in pledged collateral. At June 30, 2011 the uninsured bank balance was \$164,748 requiring pledged collateral of at least \$82,374.

## 2. Capital Assets

### Procedures

Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

### Findings

The ERASWCD performed a yearly inventory as required by Section 12-6-10 NMSA 1978. However, the capital assets and related accumulated depreciation accounts are not included on the Quickbooks balance sheet.

## 3. Debt

### Procedures

If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements.

### Findings

The required debt payments were made during the year on an existing loan. The loan agreement does not require reserves.

## 4. Revenue

### Procedures

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

- a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

Test 50% of the total amount of revenues for the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

## **Findings**

- a) Analytical review and test of actual revenue compared to budgeted revenue for the year for each revenue type revealed no exceptions.
- b) Amounts recorded on Quickbooks general ledger agreed with deposit tickets, other supporting documentation provided and the bank statements, with no exception.
- c) Amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation.

## **5. Expenditures**

### **Procedures**

Select a sample of cash disbursements and test at least 25 transactions and 50% of the total amount of expenditures for the following attributes:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and check clearing amount (cancelled checks not returned), as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC ).

### **Findings**

- a) Our tests of transactions revealed that amounts recorded as disbursed agreed to supporting documentation, with no exceptions. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and check clearing amount, as appropriate.
- b) Disbursements were properly authorized and approved in compliance with the legal requirements and established policies and procedures.
- c) The bid process (or request for proposal process, if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC ).

## **6. Journal Entries**

### **Procedures**

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

### **Findings**

The ERASWCD utilizes Quickbooks to record cash transactions but did not prepare formal journal entries during FY 2011.



## 7. Budget

### Procedures

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- a) Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.
- b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.
- c) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures – budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

### Findings

- a) A preliminary budget was submitted to DFA-LGD for approval in May 2010 and is reflected in the minutes.
- b) Total actual expenses did not exceed the final budget at the total fund level, the legal level of budgetary control.
- c) The ERASWCD prepared and submitted the budget report for the year ended June 30, 2011 to DFA-LGD. A schedule of revenues and expenditures – budget and actual was prepared from ERASWCD records on the cash budgetary basis. This schedule is included herein as Exhibit A. Exhibit C is the ERASWCD budgetary report submitted to DFA-LGD at June 30, 2011. Exhibit A shows a net of \$522.76 less expenditures than Exhibit C resulting from a difference in one line item. Also, the final expenditure budget on the report submitted is \$20,000 less than the actual final approved budget.

## Capital Outlay Appropriations

Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the year.

8. Test all capital outlay expenditures during the fiscal year to:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- b) Determine that the cash disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC ).
- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.

- f) If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g) If the project is complete, determine if there is unexpended balance and whether it was reverted per statute and agreement with the grantor.
- h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

### **Findings**

The ERASWCD did not have and therefore expend any state capital outlay appropriations during the year ended June 30, 2011.

### **Other**

#### **Procedures**

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose in the report as required by Section, 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10 (I) (3) (C) NMAC.

#### **Findings**

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud or illegal acts. However, see the Schedule of Findings and Responses for noncompliance and internal control deficiencies issues related to the Cash, Capital Assets, and Budget findings described above and Late Report.

\* \* \* \* \*

We were not engaged to, and did not conduct an audit of financial statements or any part thereof, the objective of which would be the expression of an opinion on the financial statements or a part thereof, including the accompanying Projects Schedules – Summary and Detail, Exhibits A, B and C. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the East Rio Arriba Soil and Water Conservation District, the New Mexico State Auditor's Office and the Department of Finance and Administration, Local Government Division and is not intended to be and should not be used by anyone other than those specified parties.

*Macias, Gutierrez & Co., CPAs, P. C.*

Macias, Gutierrez & Co., CPAs, P. C.  
Espanola, New Mexico  
January 5, 2012

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

**Exhibit A**

**Schedule of Revenues and Expenditures  
Budgetary Basis and Actual  
Year Ended June 30, 2011**

	<b>General Fund</b>			
	<b>Original Approved Budget</b>	<b>Final Approved Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>				
Farm Equipment Rentals	\$ 2,220	\$ 2,220	\$ 1,839	\$ (381)
County Mil Levy	195,000	195,000	277,006	82,006
Bank Interest	1,800	1,800	1,972	172
NM Dept. of Agri., NMSU	8,000	8,000	9,436	1,436
Subdivision Review	25	25	-	(25)
Noxious Weeds - CWMA	20,000	20,000	20,000	-
BLM Noxious Weed Grant	10,000	10,000	-	(10,000)
Riparian Restoration	-	20,000	19,999	(1)
	<u>237,045</u>	<u>257,045</u>	<u>\$ 330,252</u>	<u>\$ 73,207</u>
Total revenues				
Prior-year funds re-budgeted	<u>354,813</u>	<u>354,813</u>		
	<u>\$ 591,858</u>	<u>\$ 611,858</u>		
<b>Expenditures:</b>				
<b>Conservation:</b>				
<b>Current:</b>				
Conser. Technical Assistance	\$ 50	\$ 50	\$ 3	\$ 47
Dues	1,800	1,800	1,850	(50)
Building Fund	50,000	35,000	-	35,000
Farm Equipment	20,000	12,000	11,952	48
Grant Writer	1,000	-	-	-
Insurance-RMD	1,000	1,000	1,000	-
H & R Block	100	100	-	100
Information Educ./Conserv.	10,000	5,000	3,771	1,229
Education Outreach Program	5,000	2,000	1,000	1,000
Office Expense	25,000	27,500	25,316	2,184
Payroll	50,000	80,000	77,593	2,407
Projects	30,000	50,000	23,987	26,013
Acequia Projects	95,000	95,000	81,812	13,188
Subdivision Review	25	25	-	25
Supervisors/Staff	20,000	22,500	20,911	1,589
Financial Audit	4,000	1,000	-	1,000
Noxious Weed Mgmt. Project	28,000	28,000	4,978	23,022
Nox Wds.-CWMA Oper/Educ	21,000	21,000	26,674	(5,674)
	<u>\$ 361,975</u>	<u>\$ 381,975</u>	<u>\$ 280,847</u>	<u>\$ 101,128</u>
Total expenditures				

**QUARTERLY CASH REPORT**

East Rio Arriba SWCD

June 30, 2011

Clara DuBois, District Clerk

SPECIAL DISTRICT:

PERIOD ENDING

PREPARED BY:

FUND	Cash Balance Start of Qtr	Receipts to Date	Transfers To/From	Disbursed to date	Cash Balance End of Qtr
<b>OPERATING</b>					
Checking Account #990 (Valley National)	343,591.27	102,541.35	0.00	-85,808.48	360,324.14
Checking Account #990 (Valley National)	40,524.49	-	0.00	-284.37	40,240.12
sub-total	\$ 384,115.76	\$ 102,541.35	0.00	-86,092.85	\$ 400,564.26
<b>INVESTMENTS</b>					
CD #0447 Century Bank	5,174.74	0.00	0.00	0.00	5,174.74
Savings Account #9920 (Valley National)	524.24	0.27	0.00	0.00	524.51
sub-total	\$ 5,698.98	\$0.27	0.00	0.00	\$ 5,699.25
<b>GRAND TOTAL</b>	<b>\$ 389,814.74</b>	<b>\$ 102,541.62</b>	<b>0.00</b>	<b>-86,092.85</b>	<b>406,263.51</b>

**East Rio Arriba Soil & Water Conservation District**  
**Quarterly Report**  
 April 2011 through June 2011

	Apr - Jun 11	Jul '10 - Jun 11	Budget	\$ Over Budget	% of Budget
<b>Income</b>					
Bank Interest	547.37	1,970.57	1,800.00	170.57	109.48%
BLM Noxious Weeds Grant	0.00	0.00	10,000.00	-10,000.00	0.0%
County Mil Levy	80,796.48	277,005.68	195,000.00	82,005.68	142.05%
Total Farm Equipment Rentals	560.00	1,839.00	2,220.00	-381.00	82.84%
NMDA, N M State University	638.50	9,435.78	8,000.00	1,435.78	117.95%
<b>Noxious Weeds - CWMA</b>					
Rio Arriba County	0.00	10,000.00	10,000.00	0.00	100.0%
Upper Chama SWCD	0.00	10,000.00	10,000.00	0.00	100.0%
<b>Total Noxious Weeds - CWMA</b>	0.00	20,000.00	20,000.00	0.00	100.0%
Total Riparian Restoration	19,999.00	19,999.00	20,000.00	-1.00	100.0%
Subdivision Reviews	0.00	0.00	25.00	-25.00	0.0%
<b>Total Income</b>	<b>102,541.35</b>	<b>330,250.03</b>	<b>257,045.00</b>	<b>73,205.03</b>	<b>128.48%</b>
<b>Expense</b>					
Acequia Projects	39,449.60	81,812.46	95,000.00	-13,187.54	86.12%
Building Fund	0.00	0.00	35,000.00	-35,000.00	0.0%
Conservation Technical Assist.	0.00	3.00	50.00	-47.00	6.0%
<b>Total Dues</b>	<b>75.00</b>	<b>1,850.00</b>	<b>1,800.00</b>	<b>50.00</b>	<b>102.78%</b>
Education Outreach Program	1,000.00	1,000.00	2,000.00	-1,000.00	50.0%
Election	0.00	0.00	0.00	0.00	0.0%
<b>Total Farm Equipment</b>	<b>12,522.53</b>	<b>11,951.93</b>	<b>12,000.00</b>	<b>-48.07</b>	<b>99.6%</b>
Financial Audit	0.00	0.00	1,000.00	-1,000.00	0.0%
Grant Writer	0.00	0.00	0.00	0.00	0.0%
H&R Block	0.00	0.00	100.00	-100.00	0.0%
<b>Total Information Education/Conserva.</b>	<b>521.51</b>	<b>3,771.43</b>	<b>5,000.00</b>	<b>-1,228.57</b>	<b>75.43%</b>
Insurance	0.00	1,000.00	1,000.00	0.00	100.0%
<b>Noxious Weed Management Project</b>					
Nox Weeds - CWMA Op & Ed	284.37	26,674.11	21,000.00	5,674.11	127.02%
Nox Weeds Mgmt Project Supplies	0.00	4,978.41	28,000.00	-23,021.59	17.78%
<b>Total Noxious Weed Management Project</b>	<b>284.37</b>	<b>31,652.52</b>	<b>49,000.00</b>	<b>-17,347.48</b>	<b>64.6%</b>
<b>Total Office Expense</b>	<b>4,734.53</b>	<b>25,315.63</b>	<b>27,500.00</b>	<b>-2,184.37</b>	<b>92.06%</b>
<b>Total Payroll Expenses</b>	<b>24,893.08</b>	<b>77,592.74</b>	<b>80,000.00</b>	<b>-2,407.26</b>	<b>96.99%</b>
<b>Total Projects</b>	<b>52.00</b>	<b>23,986.78</b>	<b>30,000.00</b>	<b>-6,013.22</b>	<b>79.96%</b>
Subdivision Review	0.00	0.00	25.00	-25.00	0.0%
<b>Total Supervisors/Staff</b>	<b>2,560.23</b>	<b>21,433.83</b>	<b>22,500.00</b>	<b>-1,066.17</b>	<b>95.26%</b>
<b>Total Expense</b>	<b>86,092.85</b>	<b>281,370.32</b>	<b>361,975.00</b>	<b>-80,604.68</b>	<b>77.73%</b>
	<b>16,448.50</b>	<b>48,879.71</b>	<b>-104,930.00</b>	<b>153,809.71</b>	<b>-46.58%</b>

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

**Schedule of Findings and Responses  
Year Ended June 30, 2011**

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	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
<b>Current Year Findings:</b>			
Incorrect Cash Balances/Budget Reports	C	2010-1	2010-1
Bank Accounts - Pledged Collateral	D	2010-2	2010-2
Capital Assets	C	2010-3	2010-3
Late Report	D	2010-4	2010-4
<b>Follow-up on Prior-Year Audit Findings:</b>			
Incorrect Cash Balances/Budget Reports	C	2010-1	2010-1
Bank Accounts - Pledged Collateral	D	2010-2	2010-2
Capital Assets	C	2010-3	2010-3
Late Report	D	2010-4	2010-4

**\* Legend for Type of Finding:**

- A. Fraud
- B. Illegal Act(s)
- C. Internal Control Deficiency(ies)
- D. Noncompliance

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

**Schedule of Findings and Responses  
Year Ended June 30, 2011**

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2010-1

**Incorrect Cash Balances/Budget Reports**

**Criteria**

Section 6-6-2 (B) NMSA, 1978 requires each local public body to submit periodic financial reports, at least quarterly, to the DFA-LGD. Section 6-6-3 NMSA, 1978 Compilation states that every local public body shall make all reports as may be required by the Department of Finance and Administration-Local Government Division (DFA-LGD) and conform to the rules and regulations adopted by the DFA-LGD. The required financial reports include quarterly beginning balances, activity and ending balances on all cash and investment accounts and the actual revenue and expenditures compared to budget statement.

**Condition**

Although the required quarterly cash balance/activity and actual compared to budget reports were submitted to the DFA-LGD for the entire year, the year end CD balance reported was the correct balance but the accounting records did not reflect that balance at June 30, 2011. Also, there was a small difference in the savings account balance reported. See page v of the agreed-upon procedures report for details.

The budget comparison statement submitted for June 30, 2011 reported total expenditures greater than the general ledger expenditures on the actual profit and loss statement. Also, the final expenditure budget on the quarterly budget statement is \$20,000 less than the approved budget. See page vii of the agreed-upon procedures report for details.

**Cause**

The District was not aware of the differences being reported on the cash report and budget comparison statement at June 30, 2011.

**Effect**

The District has not reported accurately to comply with Sections 6-6-2 and 6-6-3 NMSA 1978.

**Recommendation**

We recommend that the District submit accurate quarterly financial reports to the DFA-LGD.

**Entity Response**

"The District is currently working with the assigned DFA-LGD Budget Analyst to ensure accurate reporting in the future and to comply with Sections 6-6-2 and 6-6-3 NMSA 1978."

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

**Schedule of Findings and Responses  
Year Ended June 30, 2011**

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**2010-2**

**Bank Accounts - Pledged Collateral**

**Criteria**

Section 6-10-17, NMSA 1978, Amount of security to be deposited states that "Any bank or savings and association designated as a depository of public money shall deliver securities of the kind specified in Section 6-10-16 NMSA 1978 to a custodial bank described in Section 6-10-21 NMSA 1978 and shall then deliver a joint safekeeping receipt issued by the custodial bank to the public official from whom or the public board from which the public money is received for deposit. The securities delivered shall have an aggregate value to one-half the amount of public money to be received in accordance with Subsection B of Section 6-10-16 NMSA 1978. However any such bank or savings and loan association may deliver a depository bond executed by a surety company as provided in Section 6-10-15 NMSA 1978 as security for any portion of a deposit of public money." Also, Section 6-10-17.1, NMSA 1978, Noncompliance with collateral requirements; withdrawal of public funds states that "When a treasurer, board of finance or board of control finds that a bank or savings and loan association that has been designated as a depository of public money has not mandated qualifying securities as collateral for deposits of public money under the control of that treasurer or board as required by law, the treasurer or board shall request the depository to substitute or provide additional qualifying securities to meet those requirements within ten calendar days. If the bank or savings and loan association does not comply with the request within ten calendar days, the treasurer or board shall withdraw from that depository within the next ten calendar days all deposits of public money under the treasurer's or board's control without penalty to the public depositor, notwithstanding any other provision of law to the contrary."

**Condition**

At various times during the fiscal year and at year-end, the District's collective balances in one financial institution exceeded the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. The District did not request the required collateral pursuant to Section 6-10-17.1 NMSA 1978 nor did the financial institution voluntarily provide the required securities to comply with Section 6-10-17 NMSA 1978.

**Cause**

The District was unaware of the pledged collateral requirement or the request to provide such.

**Effect**

The District has not met the requirements of Sections 6-10-17 and/or 6-10-17.1, NMSA 1978. As a result, the deposits are subject to custodial credit risk.

**Recommendation**

The District should take appropriate measures to ensure compliance with Sections 6-10-17 and 6-10-17.1 NMSA 1978.

**Entity Response**

"Since becoming aware of the pledged collateral requirement, the District 1) has transferred funds to another financial institution to insure that collective balances will remain under the FDIC limit of \$250,000 and 2) will take appropriate action to arrange the required collateral pursuant to Section 6-10-17.1 NMSA 1978 if it becomes necessary to remain in compliance."



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

**Schedule of Findings and Responses  
Year Ended June 30, 2011**

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**2010-3**

**Capital Assets**

**Criteria**

Section 12-6-10 (A) NMSA, 1978 states, in part, that the governing authority shall, at the end of each fiscal year, conduct a physical inventory of moveable chattels and equipment costing more than five thousand dollars (\$5,000). The inventory shall list the chattels and equipment and the date and cost of acquisition. No agency shall be required to list any item costing five thousand dollars (\$5,000) or less. Upon completion, the inventory shall be certified by the governing authority as to correctness. All accounts related to capital assets should be included on the agency's financial records.

**Condition**

The District conducted an annual inventory and maintains capital asset listings showing the required information. However, the District has not recorded the capital assets in the amount of \$51,190 or related accumulated depreciation of \$40,121 on the balance sheet at June 30, 2010. Also, the District's income statement does not include depreciation expense of \$1,346 for 2010.

**Cause**

The District never included the capital assets, related accumulated depreciation or depreciation expense in the Quickbooks accounts.

**Effect**

The District's financial statements are not accurately stated.

**Recommendation**

We recommend that the District's financial statements include amounts for capital assets, related accumulated depreciation and annual depreciation expense.

**Entity Response**

"The District will include the capital assets, related accumulated depreciation or depreciation expense in the Quickbooks accounts."

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

**Schedule of Findings and Responses  
Year Ended June 30, 2011**

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**2010-4**

**Late Report**

**Criteria**

Office of the State Auditor, Audit Rule 2010, 2.2.2 NMAC, *Requirements for Contracting and Conducting Audits of Agencies*, Section 2.2.2.16.H NMAC, requires that local public bodies with a June 30 fiscal year end to submit the agreed-upon procedures report no later than December 1 of that year.

**Condition**

The District has a June 30 year end but the agreed-upon procedures report for the year ended June 30, 2011 was submitted after December 1, 2011.

**Cause**

The request for proposal process for an agreed-upon procedures report for the year ended June 30, 2011 began on October 13, 2011 just before the December 1, 2011 due date. The contracted CPA firm was unable to complete the engagement and submit the report by December 1, 2011.

**Effect**

The District has not complied with Office of the State Auditor, Audit Rule 2.2.2 NMAC, *Requirements for Contracting and Conducting Audits of Agencies*, Section 2.2.2.16.H which requires the report to be delivered on or before December 1.

**Recommendation**

We recommend that the District take appropriate measures to ensure that future agreed-upon procedures reports are submitted no later than the December 1 due date.

**Entity Response**

"The District will take the necessary action to ensure that future agreed-upon procedures reports are prepared in a timely manner so that they can be submitted prior to the December 1<sup>st</sup> due date."

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

**Exit Conference  
Year Ended June 30, 2011**

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**EXIT CONFERENCE**

The report contents were discussed at an exit conference held on January 20, 2012, with the following in attendance:

East Rio Arriba Soil and Water Conservation District

Ted Salazar, Board Treasurer  
J. Lucas Cordova, Board Member  
Clara Dubois, Administrative Assistant  
Esperanza Trujillo, Administrative Assistant

Accounting Firm

James R. (Jim) Macias, CPA