

**STATE OF NEW MEXICO  
EAST TORRANCE  
SOIL AND WATER CONSERVATION DISTRICT  
FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2008**

**STATE OF NEW MEXICO  
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT  
TABLE OF CONTENTS  
JUNE 30, 2008**

	<u>Page</u>
Table of Contents	1
Introductory Section	2
Official Roster	3
<b>FINANCIAL SECTION</b>	4
Independent Auditor's Report	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Balance Sheet – Governmental Funds	8
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	11
Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	12
Notes to the Financial Statements	13
<b>OTHER REPORTS</b>	22
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23
Schedule of Findings and Recommendations and Exit Conference	25

## **Introductory Section**

STATE OF NEW MEXICO  
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT  
OFFICIAL ROSTER  
JUNE 30, 2008

<u>Board of Supervisors</u>	<u>Position</u>
Jim Berlier	Chairperson
Ryan Schwebach	Vice-Chairperson
Belinda Garland	Secretary/Treasurer
Fronia Jaramillo	Supervisor
Arthur Swenka	Supervisor
Wayne Metzger	Supervisor
Michael Stogner	Supervisor
<u>District Personnel</u>	<u>Title</u>
Cheri Lujan	District Manager

## Financial Section

Dan Austin CPA, PC  
700 Mechem Drive Ste. 15  
Ruidoso, NM 88345

INDEPENDENT AUDITOR'S REPORT

Hector Balderas, New Mexico State Auditor  
Chairman and Members of the Board of Supervisors  
East Torrance Soil and Water Conservation District  
P.O. Box 58  
Estancia, New Mexico 87016

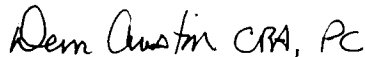
We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the East Torrance Soil and Water Conservation District (District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District as of June 30, 2008, and the respective changes in financial position, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented the Management's Discussion and Analysis required by *GASB Statement No. 34* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 8, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Dan Austin CPA, PC  
June 8, 2009

STATE OF NEW MEXICO  
 EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2008

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 175,861
Investments	16,462
Accounts receivable	1,457
Capital assets, Net	91,856
Total assets	285,636
<b>Liabilities</b>	
Accounts payable	462
Noncurrent liabilities:	
Due within one year	1,363
Due in more than one year	-
Total liabilities	1,825
<b>Net Assets</b>	
Invested in capital assets	91,856
Unrestricted	191,955
Total net assets	\$ 283,811

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

STATE OF NEW MEXICO  
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Governmental Activites
<b>Program Expenses:</b>	
Conservation:	
Current:	
Advertisements	\$ 2,398
Cost Share Payments	594
Dues	3,500
Equipment-other	2,187
Health insurance	3,249
Bond	4,368
Mileage and Per Diem	162
NMACD Annual Meeting	1,775
NMACD Summer Meeting	1,154
Office Expenses	1,572
Payroll & Taxes	5,408
PERA	55,301
Postage	3,150
SWCD Annual Meeting	2,173
Soil Stewardship	1,890
Tree Costs	277
Special project fees	7,017
Depreciation expenses	6,627
	12,638
Total program expenses	115,440
<b>Program Revenues:</b>	
Charges for services	8,102
State operating grants and contracts	19,308
Reimbursements	1,528
Total program revenues	28,938
Net program (expense) revenue	(86,502)
<b>General Revenues:</b>	
State general fund appropriation	10,980
Property taxes	63,322
Reimbursements	9,837
Capital Outlay funding	67,442
Interest	2,757
Total general revenues	154,338
Change in net assets	67,836
Net assets at beginning of year	215,975
Net assets at end of year	\$ 283,811

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



STATE OF NEW MEXICO  
 EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2008

	<u>General Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 175,861
Investments	16,462
Accounts receivable	<u>1,457</u>
Total assets	<u><u>193,780</u></u>
<b>Liabilities and fund balance</b>	
Liabilities:	
Accounts payable	<u>462</u>
Total liabilities	<u>462</u>
Fund balance:	
Unreserved, undesignated	<u>193,318</u>
Total fund balance	<u>193,318</u>
Total liabilities and fund balance	<u><u>\$ 193,780</u></u>

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

STATE OF NEW MEXICO  
 EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT  
 FINANCIAL STATEMENT RECONCILIATIONS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Amounts reported for governmental activities in the Statement of Net Assets are different are different from the way they are reported in the Balance Sheet - Governmental Funds as follows:

Fund Balance - Balance Sheet	\$	193,318
Capital assets, net of accumulated depreciation		91,856
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Compensated absences		<u>(1,363)</u>
Net Assets - Statement of Net Assets (Exhibit 1)	\$	<u><u>283,811</u></u>

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

STATE OF NEW MEXICO  
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General Fund
<b>Revenues</b>	
State general fund appropriation	\$ 10,980
Mill levy	63,322
Salary reimbursements - WTB grants	1,390
Sales revenue - Tree and seed sales	8,102
NMACDE Training	138
New Mexico General Fund	19,308
Interest	2,757
Reimbursements	9,837
Capital Outlay funding	67,442
Total revenues	183,276
<b>Expenditures</b>	
Conservation:	
Current:	
Advertisements	2,398
Training	594
Cost Share Payments	3,500
Dues	2,187
Equipment-other	3,249
Health Insurance	4,368
Bond	162
Mileage and Per Diem	1,775
NMACD Annual Meeting	1,154
NMACD Summer Meeting	1,572
Office Expenses	5,408
Payroll and Taxes	57,032
PERA	3,150
Postage	2,173
SWCD Annual Meeting	1,890
Soil Stewardship	277
Special Project Fees	6,627
Tree Costs	7,017
Capital Outlay	67,442
Total expenditures	171,975
Net change in fund balance	11,301
Fund balance beginning of year as reported	182,017
Fund balance end of year	\$ 193,318

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

STATE OF NEW MEXICO  
 EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance -  
 Government Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2008

RECONCILIATION OF THE STATEMENT OF ACTIVITIES TO THE STATEMENT OF  
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES:

Net change in fund balance - Governmental Funds	\$ 11,301						
Amounts reported in the Statement of Activities are different because:							
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. However, in the governmental funds, expenditures for these items are measured by the amount of financial resources used (actually paid). The decrease for the liability not recorded in the balance sheet is:							
	1,731						
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful life of the asset and reported as depreciation expense as follows:							
Depreciation expense	<table style="margin-left: auto; margin-right: 0; border-collapse: collapse;"> <tr> <td style="text-align: right; padding-right: 10px;">\$ 67,442</td> <td></td> </tr> <tr> <td style="text-align: right; padding-right: 10px;">(12,638)</td> <td style="text-align: right; padding-right: 10px;">54,804</td> </tr> <tr> <td colspan="2" style="border-top: 1px solid black; padding-top: 2px;"></td> </tr> </table>	\$ 67,442		(12,638)	54,804		
\$ 67,442							
(12,638)	54,804						
Change in net assets - Statement of Activities	<u><u>\$ 67,836</u></u>						

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

STATE OF NEW MEXICO  
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
State general fund appropriation	\$ 10,930	\$ 10,930	\$ 10,980	\$ 50
Mill levy	69,000	69,000	63,213	(5,787)
Edgewood reimbursement	9,240	9,240	1,680	(7,560)
Salary reimbursements - WTB grants	7,000	7,000	3,140	(3,860)
Sales revenue - Tree and seed sales	10,000	10,000	8,102	(1,898)
NMACDE Training	300	300	138	(162)
New Mexico General Fund	30,000	30,000	19,308	(10,692)
BLM Agreement	1,622	1,622	-	(1,622)
Interest	-	-	2,770	2,770
Reimbursements	5,000	5,000	9,837	4,837
Capital Outlay funding	360,000	360,000	67,442	(292,558)
<b>Total revenues</b>	<u>503,092</u>	<u>503,092</u>	<u>186,610</u>	<u>(316,482)</u>
<b>Expenditures</b>				
Current:				
Advertisements	\$ 4,000	\$ 4,000	\$ 2,398	\$ 1,602
BLM Project Costs - District Portion	3,000	3,000	-	3,000
Training	1,000	1,000	594	406
Contract Labor	3,000	3,000	-	3,000
Cost Share Payments	17,930	17,930	3,500	14,430
Dues	2,300	2,300	2,187	113
Equipment-other	13,000	13,000	3,492	9,508
Health Insurance	4,368	4,368	4,368	-
Bond	175	175	162	13
Mileage and Per Diem	2,000	2,000	1,775	225
NMACD Annual Meeting	2,000	2,000	1,154	846
NMACD Summer Meeting	2,000	2,000	1,572	428
Office Expenses	6,000	6,000	5,283	717
Payroll & Taxes	65,700	65,700	57,032	8,668
PERA	3,150	3,150	3,150	-
Postage	2,500	2,500	2,173	327
Special Project Fees	14,769	14,769	6,627	8,142
SWCD Annual Meeting	2,700	2,700	1,890	810
Soil Stewardship	1,000	1,000	277	723
Tree Costs	14,500	14,500	7,017	7,483
Water Fair	2,000	2,000	-	2,000
Capital Outlay	450,000	450,000	67,442	382,558
<b>Total expenditures</b>	<u>617,092</u>	<u>617,092</u>	<u>172,093</u>	<u>\$ 444,999</u>
Excess (Deficiency) of Revenues over Expenditures	(114,000)	(114,000)	<u>\$ 14,517</u>	
Cash Balance, Beginning	<u>179,837</u>	<u>179,837</u>		
Cash Balance, Ending	<u>\$ 65,837</u>	<u>\$ 65,837</u>		

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

**State of New Mexico**  
**East Torrance Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2008**

**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The East Torrance 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. 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) and Financial Accounting Standards Board (FASB) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

**State of New Mexico**  
**East Torrance Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2008**

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and Statement of Activities) 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 a 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) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

**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 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.

**State of New Mexico**  
**East Torrance Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2008**

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.

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

1. Deposits and Investments

The District's cash and cash equivalents are considered to be demand deposits and short term investments (three certificates of deposit) with original maturities of fourteen months or less from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, repurchase agreements, certificates of deposit and the State Treasurer's Investment Pool. Investments for the government, if applicable, are reported at fair value. The State Treasurer is authorized to invest the short-term investment funds with the advice and consent of the State Board of Finance in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E NMSA 1978. Participation in the local government investment pool is voluntary. For additional disclosure information regarding investments held by the State Treasurer, the reader should refer to the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2008.

2. Tax Receivables

The District receives mill-levy property tax revenue from the Torrance County. 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



**State of New Mexico**  
**East Torrance Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2008**

respective county treasurer and are remitted to the District in the month following collection. Therefore, no allowance for doubtful accounts is recorded.

3. Capital Assets

Capital assets, which include property and equipment (including software) 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. Currently, the District has no infrastructure that is required to be capitalized and depreciated under GASBS 34.

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

Office equipment	5 years
Vehicle	5 years
Farm equipment	5 years
Survey Equipment	7 years
Computer equipment	5 years

4. Accounts Payable

The District's accounts payable represent routine monthly bills for services rendered and products purchased which are paid for in the following month.

5. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government 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, employees accrue annual leave at 5 hours per pay period. Employees may not carry more than 120 hours forward from one calendar year to the next.

**State of New Mexico**  
**East Torrance Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2008**

6. 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 two 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 or are legally restricted by outside parties for use for a specific purpose. The District currently has no reservations of fund balance.

**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. Encumbrance accounting is not utilized by the District.

**State of New Mexico**  
**East Torrance Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

	Fund
Non-GAAP revenues	\$ 186,610
Prior year receivables	(4,791)
Current year receivables	1,457
GAAP revenues	\$ 183,276
Non-GAAP expenditures	\$ 172,093
Prior year payable	(580)
Current year payable	462
GAAP expenditures	\$ 171,975

**III. Detailed Notes on all Funds**

**A. Cash and Investments**

As of June 30, 2008, the District had a carrying amount of deposits of \$175,861. The bank balances for deposits were \$176,262. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$401. The total bank balance of \$176,262 consisted of the following:

<u>Wells Fargo Bank- Total Deposits</u>	
Total: Demand deposits	\$ 124,416
Certificates of deposit	13,407
Less: FDIC coverage	(113,407)
Amount uninsured	\$ 24,416
Pledged securities at fair market value	\$ 0
Less: 50% collateral requirement	12,208
Over (Under) Collateralized	\$ 12,260

**State of New Mexico**  
**East Torrance Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2008**

MY Bank – Total Deposits

Certificate of deposit	\$ 38,439
Less: FDIC coverage	<u>(38,439)</u>
Amount uninsured	<u>\$ -0-</u>

*Custodial Credit Risk – Deposits.* Custodial Credit Risk is the risk that in the event of bank failure certain cash balances which are uninsured could be lost. The District does not have a deposit policy for custodial credit risk. The \$24,415 of the District's deposits are subject to custodial credit risk.

As of June 30, 2008, the District had an investment of \$16,462 with the State Treasurer's Local Government Investment Pool.

*Interest Rate Risk –* The District does not have a deposit policy for interest rate risk. The District informally manages its exposure to declines in fair values by limiting its investment portfolio to securities with a relative short weighted average maturity. The weighted average maturity of the LGIP was 44 days as of June 30, 2008.

*Credit Risk –* State law limits the District's investments to bonds or negotiable securities of the United States, the State of New Mexico, or a county, municipality or school district that meet certain criteria. The District has no investment policy that would further limit its investment choices. The LGIP was rated AAAM by Standard & Poor's.

**B. Receivables**

The District had accounts receivable of \$1,457 consisting of, \$63 due from interest on investments, and \$1,395 due from property taxes.

**State of New Mexico**  
**East Torrance Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2008**

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

Description	Balance 06/30/07	Additions	Deletions	Balance 06/30/08
Vehicle	\$ 47,950	\$ -	\$ -	\$ 47,950
Construction in Progress	-	67,442	-	67,442
Equipment	16,840	-	-	16,840
Computer equipment	2,966	-	-	2,966
Total at historical costs	<u>67,756</u>	<u>67,442</u>	<u>-</u>	<u>135,198</u>
<b>Less: Accumulated depreciation for:</b>				
Vehicle	(25,503)	(12,426)	-	(37,929)
Equipment	(2,658)	-	-	(2,658)
Computer equipment	(2,543)	(212)	-	(2,755)
Total accumulated depreciation	<u>(30,704)</u>	<u>(12,638)</u>	<u>-</u>	<u>(43,342)</u>
Net capital assets	<u>\$ 37,052</u>	<u>\$ 54,804</u>	<u>\$ -</u>	<u>\$ 91,856</u>

The District's depreciation expense of \$12,638 was charged to the conservation function.

**D. Compensated Absences**

As of June 30, 2008 the District employee had accrued 221 hours of annual leave and compensatory time. Liability accrued for compensated absences is as follows:

	Balance 6/30/07	Increases	Decreases	Balance 6/30/08	Amount due within 1 year
Compensated absences	<u>\$ 3,094</u>	<u>\$ 1,820</u>	<u>\$ (3,551)</u>	<u>\$ 1,363</u>	<u>\$ 1,363</u>

**IV. Other Information**

**A. Employee Retirement Benefits**

*Plan Description.* The District's full time employee participates in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit

**State of New Mexico**  
**East Torrance Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2008**

retirement plan. The plan provides retirement, disability and survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

*Funding Policy.* Plan members are required to contribute 7% of their gross salary. The District is required to contribute 7% of the gross covered salary. The contribution requirements of plan members and the District are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the years ended June 30, 2008, 2007, and 2006 are \$3,150, \$2,123, and \$2,038 respectively, equal to the amount of required contributions each year.

**B. Post-Employment Benefits**

The District does not offer post-employment healthcare benefits to its employee.

**C. 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 surety bond on behalf of persons responsible for District assets. The District currently maintains a \$25,000 surety bond as well as commercial property coverage. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

**D. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

## Other Reports

**Dan Austin CPA, PC**  
**700 Mechem Drive Ste. 15**  
**Ruidoso, NM 88345**

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*

Hector H. Balderas, New Mexico State Auditor  
Chairman and Members of the Board of Supervisors  
East Torrance Soil and Water Conservation District  
P.O. Box 58  
Estancia, New Mexico 87031

We have audited the financial statements of the governmental activities, the general fund, and the respective budgetary comparison of the East Torrance Soil and Water Conservation District as of and for the year ended June 30, 2008, which collectively comprise the East Torrance Soil and Water Conservation District's basic financial statements and have issued our report thereon dated June 8, 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 East Torrance Soil and Water Conservation District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be



prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and responses, finding 07-B, to be a significant deficiency in internal control over financial reporting.

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

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

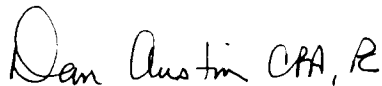
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether East Torrance Soil and Water Conservation 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision paragraphs 5.14 and 5.16*; and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 7-A and 7-C.

The agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit East Torrance Soil and Water Conservation District's response and, accordingly, we express no opinion on it.

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

Dan Austin CPA, R

June 8, 2009

**State of New Mexico  
East Torrance Soil and Water Conservation District  
Schedule of Findings, Recommendations and Exit Conference  
June 30, 2008**

**STATUS OF PRIOR YEAR AUDIT FINDINGS**

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

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

**07-C. Deposit Collateral Security-Repeated**

**FINDINGS AND RECOMMENDATIONS AND RESPONSES:**

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

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

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

Cause: The June 30, 2008 audit report was not contracted until after the due date.

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

Recommendation: Complete the audit reports in a timely manner.

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

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

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

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

Effect: A significant deficiency in internal control.

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

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

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

**State of New Mexico**  
**East Torrance Soil and Water Conservation District**  
**Schedule of Findings, Recommendations and Exit Conference**  
**June 30, 2008**

**07-C. Deposit Collateral Security**

Condition: The District deposits increased to amounts above the limits of the FDIC insurance coverage and did not require the depository to pledge collateral per statute.

Criteria: Section 6-10-17, NMSA 1978 requires that all deposits in excess of FDIC coverage should be secured with approved collateral amounting to 50% of the excess.

Effect: Noncompliance with statute.

Cause: The District failed to consider pledging requirements with its internal depository procedure.

Recommendation: Require depository to comply with statute requirements.

Response: The District will require its depository pledge collateral per statute.

**FINANCIAL STATEMENT PREPARATION**

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

**EXIT CONFERENCE**

On June 26, 2009 an exit conference was held at the offices of Dan Austin CPA, P.C. Present were current District Chairman Jim Berlier, District Manager, Cheri Lujan and auditor Dan Austin, CPA. The audit findings and the contents of this report were discussed.