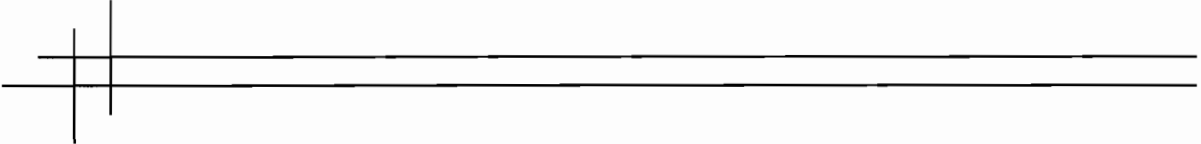




**STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT  
ROY, NEW MEXICO**

**ANNUAL FINANCIAL REPORT**  
June 30, 2008

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



STATE OF NEW MEXICO  
**MESA SOIL AND WATER CONSERVATION DISTRICT**  
 Table of Contents  
 For the Year Ended June 30, 2008

---

|   | <u>Page</u> |
|---|-------------|
| Official Roster.....  | 3           |
| Independent Auditor's Report.....   | 4           |
| <b>FINANCIAL SECTION</b>  |             |
| Basic Financial Statements  |             |
| Government Wide Financial Statements  |             |
| Statement of Net Assets.....  | 5           |
| Statement of Revenues, Expenses, and Changes in Net Assets.....   | 6           |
| Fund Financial Statements   |             |
| Government Funds - Balance Sheet.....   | 7           |
| Reconciliation of the Governmental<br>Funds Balance Sheet to the Statement<br>of Net Assets.....  | 8           |
| Statement of Revenues, Expenditures, and<br>Changes in Fund Balances.....   | 9           |
| Reconciliation of Governmental Funds<br>Statement of Revenues, Expenditures, and<br>Changes in Fund Balance to the<br>Statement of Activities.....  | 10          |
| <b>GENERAL FUND</b>   |             |
| Statement of Revenues, Expenditures, and Changes in Cash Balance -<br>Budget and Actual (Budgetary Basis).....  | 11          |
| Notes to Financial Statements.....  | 12-17       |
| Report on Internal Control Over Financial Reporting and on Compliance<br>and Other Matters Based on an Audit of Financial Statements Performed<br>In Accordance with <i>Government Auditing Standards</i> ..... | 18-19       |
| Schedule of Findings and Responses.....   | 20-21       |

STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT  
Official Roster  
June 30, 2008

---

**BOARD OF SUPERVISORS**

|                   |                     |
|-------------------|---------------------|
| Allen Herron      | Chairperson         |
| Cynthia Gutierrez | Vice-Chairperson    |
| Richard Shaw      | Secretary/Treasurer |
| Kimberly Mitchell | Supervisor          |
| Brandon Smith     | Supervisor          |

**DISTRICT PERSONNEL**

|                  |                          |
|------------------|--------------------------|
| Sherrita Fluhman | Administrative Assistant |
|------------------|--------------------------|

**De'Aun Willoughby CPA, PC**

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(505) 253-4313

**Independent Auditor's Report**

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

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the governmental activities the general fund and the budgetary comparison of the Mesa Soil & 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and each major fund and the aggregate remaining fund information of the District as of June 30, 2008, and the respective changes in its financial position and the respective budgetary comparisons for major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated June 30, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be

*De'Aun Willoughby* CPA PC

June 30, 2009

STATE OF NEW MEXICO  
**MESA SOIL AND WATER CONSERVATION DISTRICT**  
 Government-wide Statement of Net Assets  
 June 30, 2008

**ASSETS**

Current Assets

|                      |               |
|----------------------|---------------|
| Cash in Banks        | \$ 23,685     |
| Interest Receivable  | 20            |
| Total Current Assets | <u>23,705</u> |

Noncurrent Assets

|                                |                |
|--------------------------------|----------------|
| Capital Assets                 | 1,838          |
| Less: Accumulated Depreciation | <u>(1,288)</u> |
| Total Noncurrent Assets        | <u>550</u>     |

|              |               |
|--------------|---------------|
| Total Assets | <u>24,255</u> |
|--------------|---------------|

**LIABILITIES AND NET ASSETS**

Current Liabilities

|                           |            |
|---------------------------|------------|
| Accounts Payable          | 397        |
| Accrued Payroll           | <u>185</u> |
| Total Current Liabilities | <u>582</u> |

|                   |            |
|-------------------|------------|
| Total Liabilities | <u>582</u> |
|-------------------|------------|

Net Assets

|                            |               |
|----------------------------|---------------|
| Invested in Capital Assets | 550           |
| Unrestricted               | <u>23,123</u> |

|                  |                  |
|------------------|------------------|
| Total Net Assets | <u>\$ 23,673</u> |
|------------------|------------------|

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

STATE OF NEW MEXICO  
**MESA SOIL AND WATER CONSERVATION DISTRICT**  
 Government-wide Statement of Activities  
 For the Year Ended June 30, 2008

|                                 |                  |
|---------------------------------|------------------|
| Program Expenses:               |                  |
| Advertising & Promotion         | \$ 131           |
| Awards                          | 33               |
| Dues                            | 2,610            |
| Salaries                        | 6,492            |
| Information and Education       | 421              |
| Meetings and Workshops          | 2,805            |
| Office Expenses                 | 194              |
| Travel and per diem             | 1,938            |
| Insurance                       | 100              |
| Depreciation                    | 368              |
| Total Program Expenses          | <u>15,092</u>    |
| Program Revenues                |                  |
| Charge for Services             | 0                |
| Operating Grant                 | 250              |
| Total Program Revenues          | <u>250</u>       |
| General Revenues                |                  |
| Property Taxes                  | 2,804            |
| State Allocation                | 9,882            |
| Miscellaneous                   | 74               |
| Interest Income                 | 804              |
|                                 | <u>13,564</u>    |
| Change in Net Assets            | (1,278)          |
| Net Assets at Beginning of Year | <u>24,951</u>    |
| Net Assets at End of Year       | <u>\$ 23,673</u> |

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

STATE OF NEW MEXICO  
**MESA SOIL AND WATER CONSERVATION DISTRICT**  
 GOVERNMENTAL FUNDS  
 Balance Sheet  
 June 30, 2008

---

|                                     | <u>General<br/>Fund</u> |
|-------------------------------------|-------------------------|
| <b>ASSETS</b>                       |                         |
| Cash and Cash Equivalents           | \$ 23,685               |
| Interest Receivable                 | <u>20</u>               |
| Total Assets                        | <u>\$ 23,705</u>        |
| <br>                                |                         |
| <b>LIABILITIES AND FUND BALANCE</b> |                         |
| <b>Liabilities</b>                  |                         |
| Current Liabilities                 |                         |
| Accounts Payable                    | \$ 397                  |
| Accrued Payroll                     | <u>185</u>              |
| Total Liabilities                   | <u>582</u>              |
| <br>                                |                         |
| <b>Fund Balances</b>                |                         |
| Unreserved Reported In:             |                         |
| General Fund                        | <u>23,123</u>           |
| Total Fund Balances                 | <u>23,123</u>           |
| <br>                                |                         |
| Total Liabilities and Fund Balances | <u>\$ 23,705</u>        |

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

STATE OF NEW MEXICO  
**MESA SOIL AND WATER CONSERVATION DISTRICT**  
Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Assets  
June 30, 2008

---

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

|   |    |        |
|---|----|--------|
| Total Fund Balance - Governmental Funds | \$ | 23,123 |
|---|----|--------|

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

|                             |    |                |            |
|-----------------------------|----|----------------|------------|
| The cost of capital assets  | \$ | 1,838          |            |
| Accumulated depreciation is | \$ | <u>(1,288)</u> | <u>550</u> |

|  |    |                      |
|--|----|----------------------|
| Total net assets - governmental activities | \$ | <u><u>23,673</u></u> |
|--|----|----------------------|

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



STATE OF NEW MEXICO  
**MESA SOIL AND WATER CONSERVATION DISTRICT**  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended June 30, 2008

---

|  | General<br>Fund  |
|--|------------------|
| Revenues   |                  |
| State Allocation                                     | \$ 9,882         |
| Harding County Grant                                 | 250              |
| Property Taxes                                       | 2,804            |
| Interest Income                                      | 804              |
| Miscellaneous  | 74               |
| Total Revenues                                       | <u>13,814</u>    |
| Expenditures   |                  |
| Current  |                  |
| Advertising & Promotion                              | 131              |
| Awards   | 33               |
| Dues   | 2,610            |
| Salaries   | 6,492            |
| Information and Education                            | 421              |
| Meetings and Workshops                               | 2,805            |
| Office Expenses                                      | 194              |
| Travel and per diem                                  | 1,938            |
| Insurance  | 100              |
| Total Expenditures                                   | <u>14,724</u>    |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (910)            |
| Fund Balances at Beginning of Year                   | <u>24,033</u>    |
| Fund Balance End of Year                             | <u>\$ 23,123</u> |

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

STATE OF NEW MEXICO  
**MESA SOIL AND WATER CONSERVATION DISTRICT**  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 to the Statement of Activities  
 June 30, 2008

---

Net Change in Fund Balance-Governmental Funds \$ (910)

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

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

|                      |    |          |              |
|----------------------|----|----------|--------------|
| Depreciation expense | \$ | (368)    |              |
| Capital Outlays      | \$ | <u>0</u> | <u>(368)</u> |

Changes in Net Assets of Governmental Activities \$ (1,278)

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

**MESA SOIL AND WATER CONSERVATION DISTRICT**

**GENERAL FUND**

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

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2008

|  | Budgeted Amounts |                  | Actual<br>(Budgetary<br>Basis) | Variances<br>Positive<br>(Negative)<br>Final<br>to Actual |
|--|------------------|------------------|--------------------------------|---|
|  | Original         | Final            |                                |   |
| <b>Revenues</b>  |                  |                  |                                |   |
| State Allocation   | \$ 0             | \$ 10,000        | \$ 9,882                       | \$ (118)  |
| Conservation Allocation                                      | 0                | 0                | 0                              | 0   |
| Harding County Grant   | 0                | 250              | 250                            | 0   |
| US Forest Service Grant                                      | 0                | 0                | 0                              | 0   |
| Property Taxes   | 0                | 2,500            | 3,263                          | 763   |
| Tree Sales   | 0                | 0                | 0                              | 0   |
| Interest Income  | 0                | 1,228            | 906                            | (322)   |
| Miscellaneous  | 0                | 0                | 74                             | 74  |
| Total Revenues   | <u>0</u>         | <u>13,978</u>    | <u>14,375</u>                  | <u>397</u>  |
| <b>Expenditures</b>  |                  |                  |                                |   |
| Advertising & Promotion                                      | 0                | 250              | 131                            | 119   |
| Awards   | 0                | 52               | 17                             | 35  |
| Bonding  | 0                | 0                | 0                              | 0   |
| Dues   | 0                | 2,610            | 2,610                          | 0   |
| Salaries   | 0                | 8,519            | 6,771                          | 1,748   |
| Employee Benefits  | 0                | 0                | 0                              | 0   |
| Information and Education                                    | 0                | 500              | 420                            | 80  |
| Meetings and Workshops                                       | 0                | 4,000            | 2,805                          | 1,195   |
| Office Expenses  | 0                | 500              | 194                            | 306   |
| Travel and per diem  | 0                | 4,425            | 2,286                          | 2,139   |
| Conservation Materials-tree/seed                             | 0                | 2,800            | 0                              | 2,800   |
| Conservation Allocation                                      | 0                | 0                | 0                              | 0   |
| Insurance  | 0                | 103              | 100                            | 3   |
| Pass Grant to Canadian River                                 | 0                | 0                | 0                              | 0   |
| Total Expenditures   | <u>0</u>         | <u>23,759</u>    | <u>15,334</u>                  | <u>8,425</u>  |
| Excess (Deficiency) of Revenues<br>Over Expenditures         | 0                | (9,781)          | (959)                          | 8,822   |
| Beginning Cash Balance                                       | <u>24,644</u>    | <u>24,644</u>    | <u>24,644</u>                  | <u>0</u>  |
| Cash Balance End of Year                                     | \$ <u>24,644</u> | \$ <u>14,863</u> | \$ <u>23,685</u>               | \$ <u>8,822</u>   |
| <b>Reconciliation of Budgetary Basis to GAAP Basis</b>       |                  |                  |                                |   |
| Excess (Deficiency) of Revenues Over Expenditures-Cash Basis |                  |                  | \$ (959)                       |   |
| Net Change in Interest Receivables                           |                  |                  | (102)                          |   |
| Net Change in Taxes Receivables                              |                  |                  | (459)                          |   |
| Net Change in Accounts Payables                              |                  |                  | 331                            |   |
| Net Change in Accrued Payroll                                |                  |                  | 279                            |   |
| Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis |                  |                  | \$ <u>(910)</u>                |   |

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

STATE OF NEW MEXICO  
**MESA SOIL AND WATER CONSERVATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2008

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Mesa Soil and Water Conservation District (District) is organized under the provisions of the Soil and Water Conservation District Act (73-20-25 through 73-20-49 NMSA 1978). The District is a governmental subdivision of the state, a public body corporate and politic, organized for control and prevention of flood, sediment, and soil erosion damage, and to further the conservation, development and beneficial use of water and soil resources. The governing body of the District consists of five elected supervisors, four of whom must be landowners in the district. Two additional supervisors may be appointed to the district board. The Board of Supervisors has chosen to not appoint the two additional supervisors. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

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

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

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

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

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

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

STATE OF NEW MEXICO  
**MESA SOIL AND WATER CONSERVATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2008

---

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statement 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 at liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if any are recorded only when payment is due.

Property taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

STATE OF NEW MEXICO  
**MESA SOIL AND WATER CONSERVATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2008

---

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

**Cash and Investments**

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

proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government investment pool is voluntary. The investments are carried at fair value based on quoted market prices as of the valuation date.

**Taxes Receivable**

Property taxes attach an enforceable lien as of January 1. Taxes are payable in equal semi-annual installments on November 10 and April 10 of the subsequent year. The taxes become delinquent thirty days after the due date. The taxes are collected by the Lincoln County Treasurer and are remitted to the District in the month following collection.

**Capital Assets**

Capital assets, which include property, equipment (including software), farm equipment and furniture are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by state law as assets with an initial cost of \$5,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized.

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

|                    |         |
|--------------------|---------|
| Computer equipment | 5 years |
|--------------------|---------|

**Accounts payable**

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

STATE OF NEW MEXICO  
**MESA SOIL AND WATER CONSERVATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2008

---

**Compensated Absences**

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

**Net Assets and Fund Balance**

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

**II. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

The budget is prepared on a basis that differs from accounting principles generally accepted in the United States of America (GAAP). GAAP basis revenues and expenditures include accrued amounts. The revenues and expenditures reported in the budgetary comparisons are generally recorded on the cash basis. The District uses the following procedures to establish the budgeted amounts reflected in the budgetary comparisons:

1. Prior to April 1, the Budget Committee submits to the District Board of Supervisors a proposed revenue and expenditure budget for the fiscal year beginning July 1.
2. The Board reviews the budget proposal and makes any necessary adjustments.
3. Prior to June 1, the Board approves the budget by passing a resolution.
4. Prior to June 20, the approved budget is submitted to the State of New Mexico, Department of Finance and Administration, Local Government Division (DFA-LGD) for approval by the first Monday of September. The Board receives notice of the approved budget.

The legal level at which actual expenditures may not exceed budgeted expenditures is at the total fund level. The Board can revise its budget with the approval of DFA-LGD. There were no changes made to the budget during the fiscal year. Encumbrance account

STATE OF NEW MEXICO  
**MESA 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**

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

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

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

Reconciliations are located at the bottom of each budget actual.

**III. Detailed Notes on all Funds**

**A. Cash and Investments**

Community National Bank

| Account<br>Name                            | Account<br>Type     | Bank<br>Balance | Reconciled<br>Balance |
|--|---------------------|-----------------|-----------------------|
| Mesa Soil & Water Conservation District    | Checking            | \$ 1,304        | \$ 1,304              |
| Mesa Soil & Water Conservation District    | Checking            | 2,478           | 1,547                 |
| Mesa Soil & Water Conservation District CD | Savings             | 10,375          | 10,375                |
| Mesa Soil & Water Conservation District CD | Savings             | 10,459          | 10,459                |
|  | Total               | 24,616          | \$ 23,685             |
|  | Less: FDIC coverage | (24,616)        |                       |
|  | Amount uninsured    | \$ 0            |                       |

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

*Custodial Credit Risk* — Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2008, none of the Districts bank balances were exposed to custodial credit risk.



STATE OF NEW MEXICO  
**MESA SOIL AND WATER CONSERVATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2008

**B. Capital Assets**

|   | Balance<br>6/30/07 | Additions | Deletions | Balance<br>6/30/08 |
|---|--------------------|-----------|-----------|--------------------|
| Capital Assets, being Depreciated       |                    |           |           |                    |
| Computer Equipment                      | 1,838              | 0         | 0         | 1,838              |
| Total Capital Assets, being Depreciated | 1,838              | 0         | 0         | 1,838              |
| <b>Less Accumulated Depreciation</b>    |                    |           |           |                    |
| Computer Equipment                      | 920                | 368       | 0         | 1,288              |
| Total Accumulated Depreciation          | 920                | 368       | 0         | 1,288              |
|   | \$ 918             | \$ (368)  | \$ 0      | \$ 550             |

Depreciation expense was charged to governmental activities as follows:

|                             |        |
|-----------------------------|--------|
| Conservation                | \$ 368 |
| Total depreciation expenses | \$ 368 |

**IV. Other Information**

**A. Employee Benefits**

The District does not provide its employee any pension plan, deferred compensation plan or post-employment benefits.

**B. Risk Management**

The District is exposed to various risks of loss due to torts, theft or damage of assets, errors and omissions and natural disasters. The District's supervisors and employees are covered by an errors and omissions liability policy purchased by the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,000,000 for each wrongful act and \$1,000,000 for the policy aggregated. The District is required to obtain a corporate fidelity bond on behalf of persons responsible for District assets. The District currently maintains a \$10,000 fidelity bond on its Program Director and Board of Supervisors. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(505) 253-4313

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
In Accordance with *Government Auditing Standards*

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

Mr. Balderas and Members of the Board

We have audited the financial statements of the governmental activities, the general fund and the budgetary comparison of the Mesa Soil & Water Conservation District, (District), as of and for the year ended June 30, 2008, and have issued our report thereon dated June 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing the auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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 to be a significant deficiency in internal control over financial reporting as item 07-1.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weakness. However, we believe that the significant deficiency described above is not a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as item 07-02.

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

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

*De'Ann Willoughby CPA PC*

June 30, 2009

STATE OF NEW MEXICO  
MESA SOIL AND WATER CONSERVATION DISTRICT  
Schedule of Findings and Responses  
June 30, 2008

---

**Prior Year Audit Findings**

|  | <u>Status</u> |
|--|---------------|
| 07-1 Preparation of Financial Statements | Repeated      |
| 07-2 Late Audit Report                   | Repeated      |

**Current Year Audit Findings**

**07-1 Preparation of Financial Statements**

**Condition**

The individuals responsible for the accounting functions for the District lacks the skills and knowledge to apply generally accepted accounting principals in preparing the entity's financial statements. The accounting management has not obtained training to adequately apply the generally accepted accounting principals, which includes GASB 34 and subsequent pronouncements. The Financial statements were prepared by the auditor.

**Criteria**

Statement on Accounting Standards (SAS) 112, Communication of Internal Control Related Matters Identified in an Audit, requires that management clearly accept responsibility for preparing all financial information and company's financial statements.

**Cause**

Individuals responsible for the accounting and reporting functions for the District have not received training relating to the preparation of the District's financial statements in accordance with GASB (Governmental Accounting Standards Board) Statement No 34 and subsequent pronouncements.

**Effect**

Individuals, without the aid of its auditors, are unable to accurately prepare the District's financial statements in accordance with the accounting standards with the regard to apply generally accepted accounting principals.

**Recommendation**

We recommend the District's accounting management receive training relating to the preparation of the District's financial statements in accordance with generally accepted accounting principles. This would give the accounting management responsible for the accounting and reporting functions the skills and knowledge to apply generally accepted accounting principals to the financial statements.

**Response**

The District will continue to accept the assistance of the auditors in preparing the financial statements in accordance with GASB (Governmental Accounting Standards Board) Statement No 34 and subsequent pronouncements. The district will continue to seek the training to obtain the skills and knowledge to prepare the District's financial statements.

## **07-2 Late Audit Report**

### **Condition**

The audit report was filed after the due date. The report was submitted on 06/30/09 to the State Auditor's Office.

### **Criteria**

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

### **Cause**

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

### **Effect**

The users of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc., do not have timely audit reports and financial statements for their review. Late audit report could have an effect on state and federal funding.

### **Recommendation**

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

### **Response**

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

## **Financial Statement Preparation**

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

## **Exit Conference**

An exit conference was held on June 30, 2009. Those present were Richard Shaw-Secretary/Treasurer, Crystal May-Administrative Assistant and De'Aun Willoughby, CPA.