



**STATE OF NEW MEXICO
OTERO SOIL AND WATER CONSERVATION DISTRICT**

ANNUAL FINANCIAL REPORT
June 30, 2009

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



STATE OF NEW MEXICO
OTERO SOIL AND WATER CONSERVATION DISTRICT
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STATE OF NEW MEXICO
OTERO SOIL AND WATER CONSERVATION DISTRICT
Official Roster
June 30, 2009

BOARD OF SUPERVISORS

Bill Mershon	Chairperson
Rick Baish	Vice-Chairperson
Eddie Vigil	Secretary/Treasurer
James Evrage	Supervisor
Mike Kusmak	Supervisor
Bob Nichols	Supervisor
Clyde Davis	Supervisor

DISTRICT PERSONNEL

Vicky Milne	Administrative Assistant
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DeAun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

Independent Auditor's Report

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

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the governmental activities, the general fund, and the respective budgetary comparison of the Otero Soil & Water Conservation District (District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District as of June 30, 2009, and the respective changes in its financial position, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 23, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.



November 23, 2009

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

ASSETS

Current Assets

Cash in Bank	\$ 71,479
Accounts Receivable	77,858
Inventory	<u>6,353</u>
Total Current Assets	<u>155,690</u>

Noncurrent Assets

Capital Assets	30,795
Less: Accumulated Depreciation	<u>(10,858)</u>
Total Noncurrent Assets	<u>19,937</u>

Total Assets	<u>175,627</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	78,759
Accrued Payroll	544
Compensated Absences	<u>3,333</u>
Total Current Liabilities	<u>82,636</u>

Total Liabilities	<u>82,636</u>
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Net Assets

Invested in Capital Assets	19,937
Unrestricted	<u>73,054</u>

Total Net Assets	<u>\$ 92,991</u>
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The notes to the financial statements are an integral part of this statement.

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

Program Expenses	
Conservation	\$ 677,369
Education	6,096
Personnel Service	87,558
Operating Expenses	8,709
Depreciation	2,967
Total Program Expenses	<u>782,699</u>
Program Revenues	
Charge for Services	29,496
Conservation Grants	678,667
Operating Grant	57,419
Total Program Revenues	<u>765,582</u>
Net Program (Expense) Revenue	<u>(17,117)</u>
General Revenues	
State Allocation	10,751
Interest Income	107
Miscellaneous	7,202
	<u>18,060</u>
Change in Net Assets	943
Net Assets at Beginning of Year	<u>92,048</u>
Net Assets at End of Year	<u>\$ 92,991</u>

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

STATE OF NEW MEXICO
OTERO SOIL AND WATER CONSERVATION DISTRICT
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2009

	<u>General Fund</u>
ASSETS	
Cash in Bank	\$ 71,479
Accounts Receivable	77,858
Inventory	<u>6,353</u>
Total Assets	<u>\$ 155,690</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Current Liabilities	
Accounts Payable	\$ 78,759
Accrued Payroll	<u>544</u>
Total Liabilities	<u>79,303</u>
Fund Balances	
Unreserved Reported In:	
General Fund	<u>76,387</u>
Total Fund Balances	<u>76,387</u>
Total Liabilities and Fund Balances	<u>\$ 155,690</u>

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

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

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

Total Fund Balance - Governmental Funds		\$	76,387
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	\$	30,795
	Accumulated depreciation is		<u>(10,858)</u>
			19,937
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
			<u>(3,333)</u>
Total net assets - governmental activities		\$	<u><u>92,991</u></u>

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

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

	General Fund
Revenues	
Charge for Services	\$ 29,496
State & Local Grants	741,237
Federal Grant	5,600
Interest	107
Miscellaneous	7,202
Total Revenues	<u>783,642</u>
Expenditures	
Current	
Conservation	677,369
Education	6,096
Personal Service	85,522
Operating Expenses	8,709
Total Expenditures	<u>777,696</u>
Excess (Deficiency) of Revenues Over Expenditures	5,946
Fund Balances at Beginning of Year	<u>70,441</u>
Fund Balance End of Year	<u>\$ 76,387</u>

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

STATE OF NEW MEXICO
OTERO SOIL AND WATER CONSERVATION DISTRICT
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2009

Net Change in Fund Balance \$ 5,946

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	\$	(2,967)	
Capital Outlays		<u>0</u>	(2,967)

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(2,036)

Changes in Net Assets of Governmental Activities \$ 943

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

OTERO SOIL AND WATER CONSERVATION DISTRICT

GENERAL FUND

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

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Charge for Services	\$ 32,000	\$ 29,496	\$ 29,496	\$ 0
State & Local Grants	736,212	749,295	742,137	(7,158)
Federal Grant	64,250	5,600	5,600	0
Interest	100	107	107	0
Miscellaneous	0	44	7,202	7,158
Total Revenues	<u>832,562</u>	<u>784,542</u>	<u>784,542</u>	<u>0</u>
Expenditures				
Conservation	660,814	666,468	676,343	(9,875)
Personal Service	78,000	85,210	85,210	0
Travel	10,140	3,494	3,494	0
Operating Expenses	40,580	11,408	5,215	6,193
Education Projects	9,830	9,779	6,096	3,683
Total Expenditures	<u>799,364</u>	<u>776,359</u>	<u>776,358</u>	<u>1</u>
Excess (Deficiency) of Revenues Over Expenditures	33,198	8,183	8,184	1
Beginning Cash Balance	<u>63,295</u>	<u>63,295</u>	<u>63,295</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 96,493</u>	<u>\$ 71,478</u>	<u>\$ 71,479</u>	<u>\$ 1</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 8,184	
Net Change in Accounts Receivable			(900)	
Net Change in Inventory			(1,998)	
Net Change in Accrued Payroll			(312)	
Net Change in Accounts Payable			972	
Net Change in Fund Balance			<u>\$ 5,946</u>	

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

STATE OF NEW MEXICO
OTERO SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Soil and Water Conservation District (District) is organized under the provisions of the Otero 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). To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

B. Government-Wide and Fund financial Statements

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

Amounts reported as program revenues include 1) charges to customers for herbicide and calendar sales; and 2) operating grants for noxious weed program and bush control. Internally designated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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.

STATE OF NEW MEXICO
OTERO SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2009

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures as well as expenditures related to claims and judgments, if any are recorded only when payment is due.

Grant Revenues 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 District.

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

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

D. Assets, Liabilities, Net Assets and Fund Balance

Cash

The District's cash and cash equivalents consists of demand deposits.

Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method. The District maintains an inventory of herbicides that are sold for brush and noxious weed control purpose. The inventories are expended when used.

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. There was no infrastructure required to be capitalized and depreciated.

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

STATE OF NEW MEXICO
OTERO SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2009

Storage Container	10 years
Computer Equipment	5 years
Vehicle	10 years

Accounts payable

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

Compensated Absences

The District's employee's that are eligible for annual vacation and sick leave is as follows. Less than two years will receive 1 hour weekly, two to five years will receive 2 hours weekly, five to eight years will receive 3 hours weekly and eight plus years will receive 4 hours weekly. The employees are entitled to carry over annual leave from calendar year to calendar year up to 120 hours. The District does not compensate for unused sick leave or compensatory time at termination. The District will compensate the employee for vacation leave balance at termination of employment. Effective starting fiscal year 2009, the employees can sell unused vacation time back to the District.

Net Assets and Fund Balance

The difference between the District's assets and liabilities is its net assets. The District's net assets consist of four components — invested in capital assets, which is the cost of capital assets, net of accumulated depreciation, and unrestricted net assets. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation and/or are legally restricted by outside parties for use for a specific purpose.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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.

STATE OF NEW MEXICO
OTERO SOIL AND WATER CONSERVATION DISTRICT
 Notes to the Financial Statements
 June 30, 2009

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

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

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

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

Reconciliations are located at the bottom of the general fund budget actual.

III. Detailed Notes on all Funds

A. Cash and Investments

Cash and Investments Cash in Bank:

Western Bank	Account Name	Account Type	Bank Balance 6/30/2009	Reconciled Balance 6/30/2009
	Otero SWCD Operating Account	Checking	\$ 104,420	\$ 65,079
	Otero SWCD Brush Control Account	Checking	6,400	6,400
		Total	110,820	71,479
		Less: FDIC coverage	(110,820)	
		Amount uninsured	\$ 0	

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

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

STATE OF NEW MEXICO
OTERO SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2009

B. Capital Assets	Beginning Balance 6/30/2008	Additions	Deletions	Ending Balance 6/30/2009
Capital Assets, being Depreciated				
Storage Container	\$ 2,000	\$ 0	\$ 0	\$ 2,000
Computer Equipment	9,349	0	0	9,349
Vehicle	19,446	0	0	19,446
Total Capital Assets, being Depreciated	30,795	0	0	30,795
Less Accumulated Depreciation				
Storage Container	1,167	200	0	1,367
Computer Equipment	4,779	822	0	5,601
Vehicle	1,945	1,945	0	3,890
Total Accumulated Depreciation	7,891	2,967	0	10,858
	<u>\$ 22,904</u>	<u>\$ (2,967)</u>	<u>\$ 0</u>	<u>\$ 19,937</u>

Depreciation expense was charged to the conservation function.

IV. Other Information

A. Employee Benefits

The District does not offer a pension plan, deferred compensation plan, or post-employment benefits to its employees.

B. Risk Management

The District is exposed to various risks of loss due to torts, theft or damage of assets, errors and omissions and natural disasters. The District's supervisors and employees are covered by an errors and omissions liability policy purchased by the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,050,000 for each wrongful act and \$1,050,000 for the policy aggregated. The District is required to obtain a corporate fidelity bond on behalf of persons responsible for District assets. The District currently maintains a \$10,000 fidelity bond on its District Clerk and Supervisors. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

C. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustments 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 expenses such amounts, if any, to be immaterial.

DeAun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 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 Supervisors of the OTERO 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 Otero Soil & Water Conservation District, (District), as of and for the year ended June 30, 2009, and have issued our report thereon dated November 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

De'Aun Willoughby CPA PC

November 23, 2009

STATE OF NEW MEXICO
OTERO SOIL AND WATER CONSERVATION DISTRICT
Schedule of Findings and Responses
June 30, 2009

Prior Year Audit Findings

	<u>Status</u>
07-1 Late Audit Report	Resolved

Current Year Audit Findings

There were no current year audit findings.

Financial Statement Preparation

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

Exit Conference

An exit conference was held on November 23, 2009. Those present were Eddie Vigil-Supervisor, Vicky Milne-Administrative Assistant and De'Aun Willoughby, CPA.