

**STATE OF NEW MEXICO  
SAN FRANCISCO  
SOIL AND WATER  
CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2007**

STATE OF NEW MEXICO  
SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT

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JUNE 30, 2007

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STATE OF NEW MEXICO  
SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER  
JUNE 30, 2007

<u>Board of Supervisors</u>	<u>Position</u>
Billy N. Webb	Chairman
Howard Hutchinson	Vice-Chairperson
Grace Derrick	Secretary/Treasurer
Richard Weaver	Supervisor
Zoe Ann Jones	Supervisor
<u>District Personnel</u>	<u>Title</u>
Frankie Webb	Project Manager

*Beckham & Penner, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Mr. Hector Balderas, State Auditor,  
Mr. Bill Webb, Chairman  
and Members of the Board of Supervisors  
San Francisco Soil and Water Conservation District  
P.O. Box 119  
Glenwood, New Mexico 88039

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the San Francisco Soil and Water Conservation District (District) as of and for the year ended June 30, 2007, 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 the 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 also 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.

INDEPENDENT AUDITORS' REPORT, continued

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, 2007, and the respective changes in financial position, thereof and the budgetary comparison for the major governmental 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 our report dated February 26, 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.



Beckham & Penner, P.C.  
Certified Public Accountants  
February 26, 2009

STATE OF NEW MEXICO  
SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

Exhibit 1

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 19,793
Capital assets, net	<u>4,082</u>
Total assets	<u>23,875</u>
<b>Liabilities</b>	
Accounts payable	<u>1,499</u>
Total liabilities	<u>1,499</u>
<b>Net Assets</b>	
Invested in capital assets	4,082
Unrestricted	<u>18,294</u>
Total net assets	<u>\$ 22,376</u>

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

STATE OF NEW MEXICO  
SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Exhibit 2

		Governmental Activities
<b>Program Expenses:</b>		
Conservation:		
Advertising	\$	79
Personnel		2,515
Bonding		100
Conservation Education		1,796
Dues		1,610
Workshop and meetings		960
Office Expenses		684
Travel		3,826
Postage		61
Miscellaneous		633
Telephone		784
Depreciation		1,220
Total Program expenses		14,268
 <b>Program Revenues:</b>		
Operating grant – Carton County		2,000
Operating grant – San Francisco River Authority		3,000
Total program revenues		5,000
Net program (expense) revenue		(9,268)
 <b>General Revenues:</b>		
NMDA allotment		22,632
Interest		91
Miscellaneous		-
Total general revenues		22,723
Change in net assets		13,455
Net assets, beginning of year		8,921
Net assets, the end of year	\$	22,376

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

STATE OF NEW MEXICO  
 SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT  
 BALANCE SHEET – GOVERNMENTAL FUNDS  
 JUNE 30, 2007

Exhibit 3

	<u>General Fund</u>
<b>Assets</b>	
Cash	\$ 19,793
Accounts receivable	<u>-</u>
Total assets	<u>\$ 19,793</u>
<b>Liabilities and fund balance</b>	
Liabilities:	
Accounts payable	\$ <u>1,499</u>
Total liabilities	<u>1,499</u>
Fund Balance:	
Unreserved, designated for subsequent year's expenditures	7,925
Unreserved, undesignated	<u>10,369</u>
Total fund balance	<u>18,294</u>
Total liabilities and fund balance	<u>\$ 19,793</u>

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



STATE OF NEW MEXICO  
SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

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

Fund Balance – Balance Sheet (Exhibit 3)	\$ 18,294
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the governmental funds:	
Capital assets, net of accumulated depreciation	4,082
Some liabilities may not be due and payable in the current period and therefore are not reported in the governmental funds:	
Liabilities	<u>                  -</u>
Net Assets – Statement of Net Assets (Exhibit 1)	<u>\$ 22,376</u>

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

STATE OF NEW MEXICO  
 SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Exhibit 4

	<u>General Fund</u>
<b>Revenues</b>	
State allocation - NMDA	\$ 22,632
Operating grant:	
Catron County	2,000
San Francisco River Authority	3,000
Interest	91
Miscellaneous	<u>-</u>
Total revenues	<u>27,723</u>
<b>Expenditures</b>	
Conservation:	
Advertising	79
Personnel	2,515
Bonding	100
Conservation Education	1,796
Dues	1,610
Workshop and meetings	960
Office Expenses	684
Travel	3,826
Postage	61
Miscellaneous	633
Telephone	784
Equipment	<u>3,146</u>
Total expenditures	<u>16,194</u>
Net change in fund balance	11,529
Fund balance, beginning of year	<u>6,765</u>
Fund balance, end of year	<u>\$ 18,294</u>

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

STATE OF NEW MEXICO  
 SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balance – Governmental Funds (Exhibit 4) \$ 11,529

Amounts reported in the Statement of Activities are different because:

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:

Capital Outlay	3,146
Depreciation expense	<u>(1,220)</u>

Change in net assets – Statement of Activities (Exhibit 2) \$ 13,455

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

STATE OF NEW MEXICO  
 SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES- GENERAL FUND  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Exhibit 5

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
State allocation-NMDA	\$ 9,500	\$ 22,632	\$ 22,632	\$ -
County grant	2,000	2,000	2,000	-
San Francisco River Authority	-	3,000	3,000	-
Interest	135	135	91	(44)
	11,635	27,767	\$ 27,723	\$ (44)
Total revenues				
Cash balance budgeted	6,875	4,682		
Total revenues and cash balance budgeted	\$ 18,510	\$ 32,449		
<b>Expenditures:</b>				
Conservation:				
Advertising & Awards	\$ 375	\$ 375	\$ 49	\$ 326
Personnel	3,600	3,600	2,421	1,179
Bonding	100	100	100	-
Conservation Education	2,150	2,150	1,796	354
Dues	1,685	2,572	1,610	962
Workshop and meetings	1,050	1,200	960	240
Office Expenses	450	450	866	(416)
Capital Outlay - equipment	-	11,702	3,146	8,556
Travel	5,050	6,250	3,590	2,660
Postage	150	150	61	89
Projects	2,000	2,000	27	1,973
Soil Stewardship	300	300	-	300
Telephone	1,600	1,600	845	755
	18,510	32,449	15,471	16,978
Total expenditures	\$ 18,510	\$ 32,449	\$ 15,471	\$ 16,978

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

STATE OF NEW MEXICO  
SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007

**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The San Francisco 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 reporting policies of the District conform to 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.

STATE OF NEW MEXICO  
SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007

**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 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. 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. 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  
SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007

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.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue 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 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.

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  
SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007

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

1. Cash

The District's cash consists of a demand and savings account, and a petty cash fund. 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's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Capital Assets

Capital assets, which include computer equipment and 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 is no infrastructure which is required to be capitalized under GASB statement 34. Property and equipment of the District is depreciated using the straight line method over the estimated useful lives of three to five years.

3. Liabilities

Per Diem and travel amount of \$704.04, contract service amount of \$340.61, Miscellaneous project amount of \$424.49, and advertising amount of \$29.93; were liabilities accrued as of June 30, 2007, and were all paid in the subsequent year.

4. Compensated Absence

The District has no employees and the Project Manager does not receive vacation or sick leave benefits.



STATE OF NEW MEXICO  
SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007

5. 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 three components – invested in capital assets, which is the cost of capital assets, net of accumulated depreciation; unrestricted net assets; and restricted net assets- wherein the constraints are placed on net asset use either by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other government or imposed by law through constitutional provisions or enabling legislation. The district currently has no restricted net assets or 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  
SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007

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

	<u>General Fund</u>
Non-GAAP revenues (Exhibit 5)	\$ 27,723
Prior year receivables	-
GAAP revenues (Exhibit 4)	<u>\$ 27,723</u>
Non-GAAP expenditures (Exhibit 5)	\$ 15,471
Prior year accounts payable	(776)
Current year accounts payable	1,499
GAAP expenditures (Exhibit 4)	<u>\$ 16,194</u>

**III. Detailed Notes on all Funds**

**A. Cash**

As of June 30, 2007, the District had a carrying amount of deposits of \$19,793. The District also has a \$50 petty cash fund which is included in the carrying amount of deposits. The bank balances for deposits were \$19,743. The difference between the carrying amount and the bank balance of deposits is due to deposits in transits of -0-, outstanding checks of -0- and petty cash of \$50. The total bank balance consisted of the following:

First State Bank

Demand and Savings deposits	\$ 19,743
Less: FDIC coverage	<u>(19,743)</u>
Amount uninsured	<u>\$ -0-</u>

*Custodial Credit Risk – Deposits.* Custodial Credit Risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. All of the District's demand deposits were covered entirely by FDIC insurance.

STATE OF NEW MEXICO  
SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>6/30/2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2007</u>
Equipment	\$ 6,365	\$ 3,146	\$ -	\$ 9,511
Less: accumulated depreciation	<u>(4,209)</u>	<u>(1,220)</u>	<u>-</u>	<u>(5,429)</u>
Total capital assets, net	<u>\$ 2,156</u>	<u>\$ 1,926</u>	<u>\$ -</u>	<u>\$ 4,082</u>

Depreciation was allocated entirely to the conservation function.

**IV. Other information**

**A. Employee Retirement Benefits**

The District has no employees and does not offer a pension plan, deferred compensation plan or post-employment benefits as of June 30, 2007 or during the year then ended.

**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 project manager 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 surety bond on behalf of persons responsible for District assets. The District currently maintains a \$15,000 surety bond. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

STATE OF NEW MEXICO  
SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007

**C. 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.

**D. Related Party Transactions**

The spouse of the Board Chairman was appointed on November 11, 1998 to the position of Project Manager. Both were in these same positions as of June 30, 2007. The Project Manager was paid \$2,421 for contractual services during the fiscal year ended June 30, 2007. In addition, Webb Enterprises was reimbursed \$764.20 towards telephone and internet charges. Webb Enterprises is owned by Mrs. Webb and is located at their home. The operations of the District are conducted from there and therefore the District reimburses telephone and internet charges to them by making payment to Webb Enterprises.

*Beckham & Penner, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

103 6TH ST. N.E., P.O. BOX 179

SOCORRO, NEW MEXICO 87801

PHONE 575/835-1091 FAX 575/835-1224

bppccpa@sdcc.org

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  
and  
Mr. Bill Webb, Chairman  
and members of the Board of Supervisors  
San Francisco Soil and Water Conservation District  
P.O. Box 119  
Glenwood, New Mexico 88039

We have audited the financial statements of the governmental activities, the general fund and the respective budgetary comparison of the San Francisco Soil and Water Conservation District (District) as of and for the year ended June 30, 2007 and have issued our report dated February 26, 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we consider the 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 the 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

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*, continued

deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the 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 affect 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 deficiencies in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as item:

07-01 Segregation of Accounting Duties

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statement 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 weaknesses. However, of the significant deficiencies described above, we consider the following item to be a material weakness.

07-01 Segregation of Accounting Duties

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*, continued

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as item:

07-02 Timeliness of Audit Report

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the New Mexico Office of the State Auditor, the New Mexico State University – Department of Agriculture, New Mexico Department of Finance and Administration, the state legislature and grantors and is not intended to be and should not be used by anyone other than specified parties.



Beckham & Penner, P.C.  
Certified Public Accountants  
February 26, 2009

STATE OF NEW MEXICO  
SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2007

STATUS OF PRIOR YEAR AUDIT FINDINGS

- 06-1. No Voucher or Receipt – Resolved
- 06-2. Overpayment of Expenditure – Resolved

CURRENT YEAR AUDIT FINDINGS

07-1 Segregation of Accounting Duties

- Condition: San Francisco Soil and Water Conservation District has only one part-time office person. Therefore this person is involved in all aspects of the financial transactions of the district; collecting and depositing money; ordering and receiving goods; preparing payment vouchers and distributing checks to vendors; and reporting and reviewing financial information.
- Criteria: Internal control is best achieved when there is a segregation of accounting duties between personnel that receive, record and report financial transactions.
- Effect: Because of the lack of segregation of accounting duties, transactions and reporting could be circumvented and errors or irregularities may occur and go undetected.
- Cause: With only one office person, a segregation of duties is not possible and the Board cannot oversee every action of that person.
- Recommend: We recommend the Board continue to review the fiscal records on a routine basis and continue to sign and review all checks.
- Response: The San Francisco Soil and Water Conservation District Board understand the risk of having only one office person; therefore, they will continue to review the vendor invoices and sign the checks at their meetings, and review the fiscal records on a routine basis.



STATE OF NEW MEXICO  
SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2007

07-2 TIMELINESS OF AUDIT REPORT

Condition: The New Mexico State Auditor required the audit to be completed and submitted to his office by December 1, 2007. The report was submitted February 26, 2009.

Criteria: Governmental entities, agencies, and committees review the reports and prefer to do so in a timely manner. The SAO Rule, NMAC 2.2.2 establishes a due date of December 1 for the audit reports of special districts.

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.

Cause: The Auditors were not timely contracted to complete the fiscal year end June 2007 audit by its due date.

Recommend: The District should comply with the State Auditor's delivery due date.

Response: We will continue our efforts to comply with State Auditor's delivery due date.

STATE OF NEW MEXICO  
SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT

EXIT CONFERENCE  
JUNE 30, 2007

Financial Statement Preparation

The accompanying financial statements were prepared by the auditors. However, the contents remain the responsibility of the District.

Exit Conference

On February 26, 2009, an exit conference was held with Mr. Billy Webb, Chairman, and Ms. Frankie Webb, Project Manager, of the San Francisco Soil and Water Conservation District. Rick Penner, CPA represented the auditors' Beckham and Penner, P.C. The results of the audit and the contents of this report were discussed.