

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

**FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2008**

STATE OF NEW MEXICO
SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT

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JUNE 30, 2008

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STATE OF NEW MEXICO
SAN FRANCISCO SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
JUNE 30, 2008

<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

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

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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, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of 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, 2008, 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, 2008

Exhibit 1

	<u>Governmental Activities</u>
Assets	
Cash	\$ 18,134
Capital assets, net	<u>2,791</u>
Total assets	<u>20,925</u>
Liabilities	
Accounts payable	<u>580</u>
Total liabilities	<u>580</u>
Net Assets	
Invested in capital assets	2,791
Unrestricted	<u>17,554</u>
Total net assets	<u>\$ 20,345</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, 2008

Exhibit 2

	Governmental Activities
Program Expenses:	
Conservation:	
Advertising	\$ 156
Personnel	2,870
Bonding	100
Conservation Education	1,622
Dues	1,885
Workshop and meetings	317
Office Expenses	164
Travel	3,828
Postage	90
Projects	2,097
Telephone	917
Depreciation	1,291
Total Program expenses	15,337
 Program Revenues:	
Operating grant – Carton County	2,000
Operating grant – San Francisco River Authority	-
Total program revenues	2,000
Net program (expense) revenue	(13,337)
 General Revenues:	
Legislative Appropriation	-
NMDA allotment	10,980
Interest	61
Miscellaneous	265
Total general revenues	11,306
Change in net assets	(2,031)
Net assets, beginning of year	22,376
Net assets, the end of year	\$ 20,345

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, 2008

Exhibit 3

	<u>General Fund</u>
Assets	
Cash	\$ 18,134
Accounts receivable	<u>-</u>
Total assets	<u>\$ 18,134</u>
Liabilities and fund balance	
Liabilities:	
Accounts payable	\$ <u>580</u>
Total liabilities	<u>580</u>
Fund Balance:	
Unreserved, designated for subsequent year's expenditures	16,730
Unreserved, undesignated	<u>824</u>
Total fund balance	<u>17,554</u>
Total liabilities and fund balance	<u>\$ 18,134</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, 2008

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)	\$ 17,554
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	2,791
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>\$ 20,345</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, 2008

Exhibit 4

	<u>General Fund</u>
Revenues	
Legislative Appropriation	\$ -
State allocation - NMDA	10,980
Operating grant:	
Catron County	2,000
San Francisco River Authority	-
Interest	61
Miscellaneous	<u>265</u>
 Total revenues	 <u>13,306</u>
Expenditures	
Conservation:	
Advertising	156
Personnel	2,870
Bonding	100
Conservation Education	1,622
Dues	1,885
Workshop and meetings	317
Office Expenses	164
Travel	3,828
Postage	90
Projects	2,097
Telephone	917
Equipment	<u>-</u>
 Total expenditures	 <u>14,046</u>
 Net change in fund balance	 (740)
 Fund balance, beginning of year	 <u>18,294</u>
 Fund balance, end of year	 <u>\$ 17,554</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, 2008

Net change in fund balance – Governmental Funds (Exhibit 4) \$ (740)

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	-
Depreciation expense	<u>(1,291)</u>

Change in net assets – Statement of Activities (Exhibit 2) \$ (2,031)

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, 2008

Exhibit 5

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
State allocation-NMDA	\$ 10,000	\$ 11,010	\$ 10,980	\$ (30)
County grant	2,000	2,000	2,000	-
Interest	135	135	61	(74)
Micellaneous	-	-	265	265
	12,135	13,145	\$ 13,306	\$ 161
Total revenues				
Cash balance budgeted	7,925	16,743		
Total revenues and cash balance budgeted	\$ 20,060	\$ 29,888		
Expenditures:				
Conservation:				
Advertising & Awards	\$ 375	\$ 375	\$ 186	\$ 189
Personnel	3,600	3,600	3,054	546
Bonding	100	100	100	-
Conservation Education	2,150	2,150	1,622	528
Dues	1,685	1,685	1,885	(200)
Workshop and meetings	1,200	1,200	185	1,015
Office Expenses	450	450	164	286
Capital Outlay - equipment	-	7,928	1,351	6,577
Travel	7,050	7,280	4,240	3,040
Postage	150	150	90	60
Projects	2,000	3,670	1,171	2,499
Soil Stewardship	300	300	-	300
Telephone	1,000	1,000	917	83
	20,060	29,888	\$ 14,965	\$ 14,923
Total expenditures	\$ 20,060	\$ 29,888	\$ 14,965	\$ 14,923

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, 2008

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, 2008

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, 2008

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, 2008

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 statues 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 \$291.52, contract service amount of \$157.16, and workshop and meeting amount of \$131.79; were liabilities accrued as of June 30, 2008, 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, 2008

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 constrains 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, 2008

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

		General Fund
Non-GAAP revenues (Exhibit 5)	\$	13,306
Prior year receivables		-
GAAP revenues (Exhibit 4)	\$	<u>13,306</u>
Non-GAAP expenditures (Exhibit 5)	\$	14,965
Prior year accounts payable		(1,499)
Current year accounts payable		580
GAAP expenditures (Exhibit 4)	\$	<u>14,046</u>

III. Detailed Notes on all Funds

A. Cash

As of June 30, 2008, the District had a carrying amount of deposits of \$18,134. The District also has a \$50 petty cash fund which is included in the carrying amount of deposits. The bank balances for deposits were \$18,084. 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	\$	18,084
Less: FDIC coverage		<u>(18,084)</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, 2008

B. Capital Assets

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

<u>Governmental Activities</u>	<u>Balance</u> <u>6/30/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2008</u>
Equipment	\$ 9,511	\$ -	\$ -	\$ 9,511
Less: accumulated depreciation	<u>(5,429)</u>	<u>(1,291)</u>	<u>-</u>	<u>(6,720)</u>
Total capital assets, net	<u>\$ 4,082</u>	<u>\$ (1,291)</u>	<u>\$ -</u>	<u>\$ 2,791</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, 2008 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, 2008

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, 2008. The Project Manager was paid \$3,054 for contractual services during the fiscal year ended June 30, 2008. In addition, Webb Enterprises was reimbursed \$374.76 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

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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, 2008 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

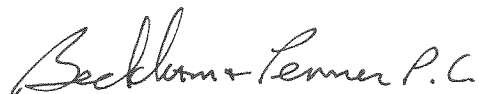
Compliance and Other Matters

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, 2008

STATUS OF PRIOR YEAR AUDIT FINDINGS

- 07-1. Segregation of Accounting Duties - Repeated
- 07-2. Timeliness of Audit Report - Repeated

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, 2008

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, 2008. 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 did not complete the 2007 audit prior to the due date of the fiscal year end June 2008 audit.
- 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, 2008

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.