

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

**FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2009**

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
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JUNE 30, 2009

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STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
OFFICIAL ROSTER
JUNE 30, 2009

<u>Board of Supervisors</u>	<u>Position</u>
Larry Whitefield	Chairperson
Gordon Herkenhoff	Vice-Chairperson
Virginia Johnson	Secretary/Treasurer
Edward Harris	Supervisor
Chris Lopez	Supervisor
Richard Ritter	Supervisor
Open Position	Supervisor
<u>District Personnel</u>	<u>Title</u>
Nyleen H. Troxel Stowe	Director of Special Projects
William Kolbenschlager	Range Technician
Jane Farmer	Administrative Assistant

Beckham & Penner, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

SOCORRO, NEW MEXICO 87801

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INDEPENDENT AUDITORS' REPORT

Mr. Hector Balderas, State Auditor
and

Mr. Larry Whitefield, Chairperson
and Members of the Board of Supervisors
Socorro Soil and Water Conservation District
103 Francisco de Avondo
Socorro, New Mexico 87801

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison and the aggregate remaining fund information of the Socorro Soil and 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 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, the major fund and the aggregate remaining fund information of the District as of June 30, 2009, and the respective changes in financial position, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2012 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the general fund and the respective budgetary comparisons and the aggregate remaining fund information, of the Socorro Soil and Water Conservation District (District). The additional schedule listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basis financial statements. Such supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Beckham & Penner, P.C.
Certified Public Accountants
May 30, 2012

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

Exhibit 1

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 186,522
Accounts receivable	1,507
Inventory	27,339
Prepaid Insurance	3,848
Accrued Interest receivable	870
Notes receivable	62,703
Capital assets, net	41,934
Total Assets	324,723
Liabilities	
Accounts payable	10,112
Accrued payroll & taxes	5,796
Accrued compensated absences	8,854
Notes Payable:	
Due within one year	6,314
Due in more than one year	61,856
Total Liabilities	92,932
Net Assets	
Invested in capital assets	41,934
Unrestricted	189,857
Total Net Assets	\$ 231,791

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

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Exhibit 2

	Governmental Activities
Program Expenses:	
Conservation:	
Salaries & Benefits	\$ 127,896
Advertisements & Awards	121
Automobile costs	7,735
Dues & fees	2,015
Bonding	200
Office Supplies & expenses	8,910
Project costs-Cost Share Program	28,156
Project costs- MERES Grant	5,432
Project costs-Noxious weed control program	388
Community Awareness Projects	7,524
Soil Stewardship Material	835
Miscellaneous Expenses	86
Rent & Utilities	9,528
Telephone	5,016
Travel and per diem	352
Meeting expenses	900
Insurance-Property	1,437
Interest expense	1,858
Depreciation expenses	16,670
Total Program expenses	225,059
Program Revenue:	
Charges for services	75,367
Operating grants and contracts	21,090
Total program revenues	96,457
Net program (expense) revenue	(128,602)
General Revenues and Special Items:	
State allocation	10,751
Property Taxes	84,023
Miscellaneous Income	16,777
Interest	4,677
Total general revenues & special items	116,228
Change in net assets	(12,374)
Net assets, beginning of year	244,165
Net assets, end of year	\$ 231,791

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

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2009

Exhibit 3

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 186,522
Accounts receivable	1,507
Inventory	27,339
Prepaid expenses	<u>3,848</u>
 Total Assets	 <u><u>\$ 219,216</u></u>
Liabilities and fund balance	
Liabilities:	
Accounts payable	\$ 10,112
Accrued payroll & taxes	<u>5,796</u>
 Total Liabilities	 <u>15,908</u>
Fund Balance:	
Reserved for debt services	8,861
Unreserved, designated for subsequent year's expenditures	96,700
Unreserved, undesignated	<u>97,747</u>
 Total Fund Balance	 <u>203,308</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 219,216</u></u>

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

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

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)	\$	203,308
<p>Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.</p>		
Capital assets, Net of accumulated depreciation		41,934
<p>Certain long-term assets are not reported in this fund financial statement because they are not available to pay current period expenditures, but they are reported as assets in the statement of net assets.</p>		
Note Receivable		62,703
Accrued Interest on Notes Receivable		870
<p>Certain liabilities (such as notes payable and accrued expenses) are not reported in this fund financial statement because they are not due and payable, but they are presented as liabilities in the statement of net assets.</p>		
Accrued compensated absences		(8,854)
Notes payable		(68,170)
		(77,024)
Net Assets-Statement of Net Assets (Exhibit 1)	\$	231,791

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

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Exhibit 4

	General Fund
Revenue and Other Receipts	
State allocation	\$ 10,751
Opening Grants	21,090
Property taxes	84,023
Interest Income	1,988
Charges for Services	75,367
Miscellaneous Income	16,777
Loan Repayments Received	8,492
Total Revenue and Other Receipts	218,488
Expenditures and Other Charges	
Conservation: Current:	
Salaries & Benefits	129,488
Advertisements & Awards	121
Automobile costs	7,735
Dues and fees	2,015
Bonding	200
Office supplies & expenses	8,910
Project costs-Cost Share Program	24,962
Project costs-MERES Grant	5,432
Project costs-Noxious weed control program	388
Soil Stewardship Material	835
Community Awareness Projects	7,524
Miscellaneous Expenses	86
Rent & Utilities	9,528
Telephone	5,015
Travel & per diem	352
Meeting expenses	900
Insurance-Property	1,437
Capital outlay	12,161
Debt payment-Principal	6,160
Debt payment-Interest	1,858
Total expenditures and Other Charges	225,107
Net change in fund balance	(6,619)
Fund Balance, beginning of year	209,927
Fund Balance, end of year	\$ 203,308

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

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Net change in fund balance-Governmental Funds (Exhibit 4) \$ (6,619)

Amount reported in the Statement of Activities are different because:

In the Statement of Activities, compensated absences are measured by the net amount earned during the year. However, in the governmental funds, expenditures for these items are measured by the amount of financial resources used (actually paid). The change for the liability not recorded in the Governmental Funds is: 1,592

Governmental funds reported capital outlays as expenditures. However, in the Statement of Activities, the cost of capital outlay is presented as assets and depreciated over the useful life of the assets as follows:

Capital Outlay - Purchase of Capital Assets	8,967
Depreciation Expense of Capital Assets	(16,670)

Repayment of principal on notes receivable is reported as revenue and other receipts in the Governmental Funds, but repayment reduces the assets in the Statement of Net Assets. This is the amount of principal received in the current year. (5,949)

Change in Interest accrued on notes receivable from the last payment date until year end. 145

Repayment of principal on long-term debt (notes payable) is reported as an expenditure and other charges in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of principal paid in the current year. 6,160

Change in Net Assets-Statement of Activities (Exhibit 2)	\$ (12,374)
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The notes of the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
SOCORRO 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, 2009

Exhibit 5

General Fund				
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State Appropriation	\$ 11,000	\$ 11,000	\$ 10,751	\$ (249)
Mill levy	85,000	85,000	85,293	293
Interest	600	600	2,112	1,512
Noxious weed control finding	30,000	30,000	-	(30,000)
MERES Grant	119,750	119,750	5,433	(114,317)
State Grants	600,000	600,000	15,657	(584,343)
Charges for Services	-	-	75,367	75,367
Miscellaneous Income	-	-	672	672
Loan - Repayment	10,000	10,000	5,949	(4,051)
Loan - Interest Income	-	-	2,555	2,555
Total revenues	<u>856,350</u>	<u>856,350</u>	<u>\$ 203,789</u>	<u>\$ (652,561)</u>
Cash balance budgeted	96,550	96,550		
Total revenues & cash balance	<u>\$ 952,900</u>	<u>\$ 952,900</u>		
Expenditures:				
Current:				
Salaries & benefits-prog. mang.	\$ 50,600	\$ 50,600	\$ 57,502	\$ (6,902)
Salaries & benefits-range tech.	36,200	36,200	42,787	(6,587)
Salaries & benefits-Admin Asst.	27,800	27,800	29,188	(1,388)
Advertisements	500	500	121	379
Automobile costs	10,000	10,000	8,133	1,867
Dues & Fees	4,000	4,000	2,015	1,985
Election Costs	500	500	-	500
Bonding	200	200	200	-
Meetings	1,500	1,500	1,028	472
Travel & Per diem	6,500	6,500	352	6,148
Office supplies & expenses	10,000	10,000	9,845	155
Project Costs - Cost Share Program	50,000	50,000	31,035	18,965
Project Costs - Community Awardness	5,000	5,000	8,049	(3,049)
Project Costs - Noxious Weed Equipment	2,500	2,500	388	2,112
Project costs - MERES Grant	120,600	120,600	5,432	115,168
Ag Day	1,000	1,000	-	1,000
Miscellaneous Grant Expenses	600,000	600,000	-	600,000
Soil Stewardship Material	500	500	835	(335)
Miscellaneous Exp.	-	-	86	(86)
Property Insurance	2,500	2,500	1,115	1,385
Rent & Utilities	10,000	10,000	9,427	573
Telephone/Email/Website	3,000	3,000	5,483	(2,483)
Debt payment - Principal	10,000	10,000	8,018	1,982
Total expenditures	<u>\$ 952,900</u>	<u>\$ 952,900</u>	<u>\$ 221,039</u>	<u>\$ 731,861</u>

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

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF FIDUCIARY, ASSETS AND LIABILITIES – AGENCY FUND
June 30, 2009

Exhibit 6

Assets

Cash & Cash equivalents	\$ 20,160
Total Assets	\$ 20,160

Liabilites

Due to others:	
Interest	\$ 1,608
Federal Grants	5,908
NMACD Bingaman	598
State FY 05	12,104
NM EMNRD	993
NMDA - Thomas	(1,051)
Total Liabilities	\$ 20,160

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

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Socorro 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 seven elected supervisors, four of whom must be landowners in the District. Three additional supervisors are 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 a significant extent on fees and charges for support. However, the District does not have any business-type activities.

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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 for goods, services, or privileges provided, 2) operating grants from federal and state sources, and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, and 3) capital grants and contributions. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

The agency funds for the Lower Rio Grande Salt Cedar Control Project are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the district holds for others in an agency capacity.

Governmental funds are used to account for the District's general governmental activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of general long-term debt.

The District reports the following major governmental funds:

The general fund is the District's only operating fund. It accounts for all financial resources of the general government including proceeds of any specific revenue sources that are legally restricted to expenditures for specific purposes. The general fund was also set up to account for the District's Low Interest Loan program. The District receives low interest loans from the New Mexico Interstate Stream Commission (NMISC) to lend landowners in the District funds at low interest rates to finance conservation projects on their property pursuant to the provisions of section 72-14-20 NMSA 1978.

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.

D. Assets and Liabilities

1. Cash, Cash Equivalents and Investments

The District's cash and cash equivalents consist of demand deposits and short term investments (certificates of deposit) with original maturities of twelve months or less from the date of acquisition.

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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.

2. Accounts Receivable and Accounts Payable

Accounts receivable consist of \$1,467 for property tax receivable and \$40 for interest receivable on the certificate of deposit, and \$870 for interest accrued on notes receivable, for a total of \$2,377.

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

The District's accounts payable represent routine monthly bills for service rendered and products purchased in the current years which are paid for in the next fiscal year. Total accounts payable at year-end were \$10,112, accrued payroll liabilities at year end were \$5,796. The total payables were \$15,908 at year end.

3. Capital Assets

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

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

Vehicles	5 years
Field equipment & Storage	7 years
Computer equipment	3 years

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

4. Compensated Absence

It is the District's policy to permit employees to accumulate earned but unused vacation, compensable time and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay and compensable time is accrued when incurred in the government-wide financial statements. Generally, a current liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of resignations and retirements.

According to the District policy full-time employees accrue annual leave at four to six hours per pay period, depending on the years of service. Compensable time earned is hours worked in excess of eight hours per day or forty hours per week.

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; restricted net assets which are liquid assets and have third-party (statutory, bond covenant or granting agency) limitations on their use; and unrestricted net assets. The District had no restricted net assets as of June 30, 2009.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Certain proceeds (Low Interest Loan from New Mexico Interstate Stream Commission) set aside for their repayment (\$8,861), are classified as reserved for fund balance on the balance sheet because they are maintained in separate bank accounts and their use is limited by the applicable loan agreements. Fund balance designations may be established to indicate tentative plans for financial resource utilization in a future period. The District uses available cash resources to balance the subsequent year budget. The District currently has an unreserved fund balance, designated for subsequent year's expenditures of \$96,700 for this purpose.

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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
SOCORRO 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

	General Funds
Non-GAAP (Exhibit 5)	\$ 203,789
Prior Year Receivables	(3,638)
Current Year Receivables	2,377
Prior Year Notes Receivable	(68,652)
Current Year Notes Receivable	62,703
Income from Inventory Adjustment	16,106
GAAP Revenues (Exhibit 2)	\$ 212,685
Non-GAAP expenditures (Exhibit 5)	\$ 221,039
Prior Year Accounts & Payroll Liabilities Payable	(11,910)
Current Year Accounts & Payroll Liabilities Payable	15,908
Prior Year Prepaid Expense	3,919
Current Year Prepaid Expenses	(3,848)
Current Year Depreciation Expense	16,670
Current Year Debt Repayment	(6,160)
Current Year Equipment Purchases	(8,967)
Current Year Compensated Absences	(1,592)
GAAP Expenditures (Exhibit 2)	\$ 225,059

III. Detailed Notes on all Funds

A. Cash, Cash Equivalents and Investments

As of June 30, 2009, the District had a carrying amount of deposits of \$206,682. The bank balances for deposits were \$209,034, all at local banks. The difference between the carrying amount and the bank balance of deposits is due to deposits in transit of -0- and outstanding checks of \$2,352. The total bank balance of \$209,034 consisted of the following:

	First State Bank
Demand Deposits	\$ 133,847
Less: FDIC Coverage	(133,847)
Amount Uninsured	\$ -
Pledged securities at fair market value	659,988
50% collateral requirement	-
Over (Under) Collateralized	\$ 659,988

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

The following is a description of the pledge collateral that are held under joint safekeeping receipts in the name of the District at First State Bank of Socorro: FFCB Non CBL, Cusip #31331V214, par value \$500,000, market value \$553,238; and Socorro Consolidated School Bonds #83368PBM7 and #83368PBN5, with a par value of \$100,000 and a market value of \$106,750.

	Bank of America
Certificates of Deposit	\$ 75,187
Less: FDIC	(75,187)
Amount Uninsured	\$ -
Pledged securities at fair market value	\$ -
50% collateral requirement	-
Over (Under) Collateralized	\$ -

Custodial Credit Risk – Deposits. Custodial Credit Risk is the risk that in the event of a bank failure certain cash balances which are uninsured could be lost. The District does not have a deposit policy for custodial credit risk. However, none of the District’s deposits are subject to custodial credit risk.

Schedule of Cash, as reported in Financial Statements:

General Fund	\$ 186,522
Agency Fund	20,160
TOTAL	\$ 206,682

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

B. Notes Receivable

The District borrowed funds from the State of New Mexico Interstate Stream Commission for the purpose of having a program for conservation of water for irrigation purpose, and in turn, lend these funds to individual landowners in the District. The District's note receivable balance as of June 30, 2009 represents monies owed to the District by landowners for such projects promoting water conservation. The loan agreements between the District and its landowners are secured by a duly recorded mortgage or other legal encumbrance on the property, real or personal, of the landowner. The District considers the loans to be fully collectible and does not consider that an allowance for doubtful accounts is necessary at June 30, 2009.

C. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

<u>Description</u>	<u>Balance 6/30/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2009</u>
Government Activities:				
Non-Depreciable Capital Assets				
NONE	\$ -	\$ -	\$ -	\$ -
Depreciable Capital Assets				
Vehicles	47,457	-	-	\$ 47,457
Field Equipment & Storage	55,942	8,967	-	\$ 64,909
Computer Equipment	21,425	-	-	\$ 21,425
Totals-Depreciable Capital Assets	<u>\$ 124,824</u>	<u>\$ 8,967</u>	<u>\$ -</u>	<u>\$ 133,791</u>
Less: Accumulated depreciation				
Vehicles	27,537	5,692	-	\$ 33,229
Field Equipment & Storage	34,344	7,731	-	\$ 42,075
Computer Equipment	13,306	3,247	-	\$ 16,553
Total Accumulated depreciation	<u>\$ 75,187</u>	<u>\$ 16,670</u>	<u>\$ -</u>	<u>\$ 91,857</u>
Net depreciable capital assets	<u>\$ 49,637</u>	<u>\$ (7,703)</u>	<u>\$ -</u>	<u>\$ 41,934</u>
Net capital assets	<u>\$ 49,637</u>	<u>\$ (7,703)</u>	<u>\$ -</u>	<u>\$ 41,934</u>

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

D. Interfund Receivables, Payable and Transfers

The District does not have interfund balances and interfund transfers reported in the fund financial statements.

E. Long-Term Debt

Note Payable

The District entered into loan agreement with the New Mexico Interstate Stream Commission on January 4, 2000 for the purpose of lending funds to landowners in the District for water conservation projects. The terms of the agreement are as follows:

Amount of Loan	\$ 50,000
Interest	2 ½ percent per annum
Years	20 (Twenty years)
Yearly payment	\$ 3,207

The debt service requirements to maturity are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
7/1/2010	\$ 2,852	\$ 356
7/1/2011	2,923	284
7/1/2012	2,996	211
7/1/2013	3,071	136
7/1/2014	1	60
Thereafter:		
1st 5 years	-	-
Total	<u>\$ 11,843</u>	<u>\$ 1,047</u>

The District entered into a loan agreement with the New Mexico Interstate Stream Commission on July 1, 2001 for the purpose of lending funds to landowners in the District for water conservation projects. The terms of the agreement are as follows:

Amount of loan	\$ 25,000
Interest	2 ½ percent per annum
Years	20 (Twenty years)
Yearly payment	\$ 1,604

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

The debt service requirements to maturity are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
7/1/2010	\$ 1,192	\$ 411
7/1/2011	1,222	381
7/1/2012	1,253	351
7/1/2013	1,284	320
7/1/2014	1,316	287
Thereafter:		
1st 5 years	7,091	926
2nd 5 years	<u>3,092</u>	<u>117</u>
Total	<u>\$ 16,450</u>	<u>\$ 2,793</u>

The District entered into a loan agreement with the New Mexico Interstate Stream Commission on October 10, 2002 for the purpose of lending funds to landowners in the District for water conservation projects. The terms of the agreement are as follows:

Amount of loan	\$ 50,000
Interest	2 ½ percent per annum
Years	20 (Twenty years)
Yearly payment	\$ 3,207

The debt service requirements to maturity are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
7/1/2010	\$ 2,270	\$ 937
7/1/2011	2,327	881
7/1/2012	2,385	822
7/1/2013	2,444	763
7/1/2014	2,506	702
Thereafter:		
1st 5 years	13,499	2,537
2nd 5 years	<u>12,066</u>	<u>764</u>
Total	<u>\$ 37,497</u>	<u>\$ 7,406</u>

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

Changes in Long-term Liabilities

Long-term debt activity for the year ended June 30, 2009 was as follows:

	<u>Balance</u> <u>6/30/2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2009</u>	<u>Amount Due</u> <u>within 1 yr.</u>
Notes Payable	\$ 74,330	\$ -	\$ 6,160	\$ 68,170	\$ 6,314
Compensated absences	10,446	7,280	8,872	8,854	8,854
Totals	<u>\$ 84,776</u>	<u>\$ 7,280</u>	<u>\$ 15,032</u>	<u>\$ 77,024</u>	<u>\$ 15,168</u>

Compensated absences are generally liquidated by the general fund.

IV. Other information

A. Employee Retirement Benefits

The District employees did not participate in a pension plan, deferred compensation, or post-employment benefit plan through December 31, 2006. On January 1, 2007, the District employees began participating in the State of New Mexico Public Retirement Act (PERA) pension plan.

Plan Description. Substantially all of the District's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, public available financial report that includes financial statements and requires supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 7% of their gross salary. The District is required to contribute 7% of the gross covered salary. The contribution requirements of plan members and the District are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the fiscal years ending June 30, 2009, 2008 and 2007 was \$7,443, \$5,389 and \$2,209, respectively, which equals the amount of the required contributions for the fiscal years.

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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 surety bond on behalf of persons responsible for District assets. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit. The District currently maintains the following surety bond with the Western Surety Company:

Bond:	Employee Dishonesty Bond
Term:	April 29, 2009 to April 29, 2010
Coverage:	\$5,000 per employee, \$5,000 for four employees

The District currently maintains the following commercial property insurance coverage with American Hallmark Insurance Company of Texas:

Business Personal Property:	Personal Property (Theft)-Replacement Cost
Term:	April 1, 2009 to April 1, 2010
Coverage:	Limit of insurance \$54,000

The District currently maintains the following commercial auto insurance coverage with Progressive Northwestern Insurance Company:

Commercial Auto Insurance:	Auto insurance
Term:	April 1, 2009 to April 1, 2010
Coverage:	Limit of insurance \$500,000

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 District does not expect any amounts to be disallowed.

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

D. Joint Powers Agreement – Lower Rio Grande Salt Cedar Control Project

During the 2002 session, the New Mexico State Legislature appropriated \$2.5 million to the New Mexico Department of Agriculture to remove salt cedar from the Lower Rio Grande River Basin. As a result of this appropriation, a joint powers agreement was established for this project. Additional appropriations were made in subsequent years. The terms of the agreement are summarized as follows:

Date of Agreement	June 24, 2002
Participants:	New Mexico Association of Conservation District and the Socorro, Sierra, Caballo, and La Union Soil and Water Conservation Districts.
Responsible party for operations:	Socorro Soil and Water Conservation District
Description:	Lower Rio Grande Salt Cedar Control Project
Beginning and ending Date of agreement:	July 1, 2002 to June 30, 2004 and additional Projects in FY 05, 06, 07, 08 & 09
Total estimated amount:	\$4,185,505 and \$470,145 for FY 09
Amount expended to date:	\$4,635,490
Audit responsibility:	New Mexico State University, New Mexico Department of Agriculture
Fiscal agent:	Socorro Soil and Water Conservation District
The government agency where revenues and expenditures are reported:	New Mexico State University

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2009

Assets

Cash & Cash equivalents	\$ 166,251	\$ 470,145	\$ (616,236)	\$ 20,160
Total Assets	<u>\$ 166,251</u>	<u>\$ 470,145</u>	<u>\$ (616,236)</u>	<u>\$ 20,160</u>

Liabilities

Due to others:				
Interest	\$ 1,514	\$ 94	\$ -	\$ 1,608
Federal Grants	6,092	202,400	(202,584)	5,908
NMACD Bingaman	27,285	124,148	(150,835)	598
State FY 05	32,303	-	(20,199)	12,104
NM EMNRD	99,057	-	(98,064)	993
NMDA - Thomas	-	40,949	(42,000)	(1,051)
State Forestry Grant	-	102,554	(102,554)	-
Total Liabilities	<u>\$ 166,251</u>	<u>\$ 470,145</u>	<u>\$ (616,236)</u>	<u>\$ 20,160</u>

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

Beckham & Penner, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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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. Larry Whitefield, Chairperson
and members of the Board of Supervisors
Socorro Soil and Water Conservation District
103 Francisco de Avondo
Socorro, New Mexico 87801

We have audited the financial statements of the governmental activities, the general fund and the respective budgetary comparison, and the aggregate remaining fund information of the Socorro Soil and Water Conservation District (District) as of and for the year ended June 30, 2009 and have issued our report dated May 30, 2012. 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.

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.

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

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. We did not identify deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defines above.

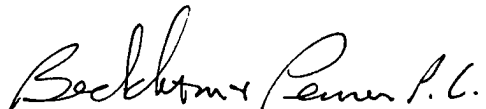
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we preformed 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:

2007-01	Timeliness of Audit Report
2009-01	Payroll Taxes

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
May 30, 2012

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2009

STATUS OF PRIOR YEAR AUDIT FINDINGS

2007-01	Timeliness of Audit Report	Repeated
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CURRENT YEAR AUDIT FINDINGS

2007-01 TIMELINESS OF AUDIT REPORT

Condition: The Socorro Soil and Water Conservation District did not issue the audit report until May 30, 2012.

Criteria: The District was required to submit the audit reports for the year ended June 30, 2009 on or before December 1 subsequent to the entitles' fiscal year end in accordance with State Statute (Chapter 12, Section 6: NMSA 1978) and Section 2.2.2.9.A (1) of the State Auditor Rule.

Cause: The District was unable to submit the June 30, 2009 audit report on a timely basis as a result of not contracting with an auditor until after the due date and then the auditor had health issues that further delayed the audit.

Effect: The District is not in compliance with the New Mexico State Auditor Rules and Regulations. Furthermore, users of the financial statements such as legislators, creditors, note holders, state and federal grantors, etc., do not have timely audit reports and financial statements for their review.

Auditors' Recommendation: The District should ensure that future audit reports are issued in a timely manner. The District should ensure this process is timely in the future through communication with the state auditors' office and timely contracting with an auditor.

Management Response: The District is working with the auditors to complete and submit audit report in a timely manner.

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2009

CURRENT YEAR AUDIT FINDINGS, continued

2009-01 PAYROLL TAXES

Condition: The PERA deduction was being subtracted from gross wages before the FICA and Medicare taxes were calculated.

Criteria: FICA and Medicare taxes should be calculated on gross wages before the PERA deduction.

Cause: The District misunderstood the application of the PERA pre-tax deduction.

Effect: The combined employee and employer FICA and Medicare taxes were underpaid by about \$1,139 for the fiscal year.

Auditors' Recommendation: The District should utilize an automated payroll processing system to help ensure that the payroll calculations are accurate.

Management Response: The District has implemented an automated payroll process for the preparation of the payroll checks which has corrected the problem. Corrected payroll reports have been filed with the IRS and Social Security Administration and the underpaid payroll taxes have been paid.

STATE OF NEW MEXICO
SOCORRO SOIL AND WATER CONSERVATION DISTRICT
EXIT CONFERENCE
JUNE 30, 2009

Financial Statement Preparation

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

Exit Conference

On May 30, 2012, an exit conference was held with Board Supervisor member, Richard Ritter, and Mrs. Nyleen H. Troxel Stowe, Director of Special Projects of the Socorro Soil and Water Conservation District. Representing the Auditor was Rick Penner, CPA. The results of the audit and the contents of this report were discussed.