

**STATE OF NEW MEXICO  
UPPER HONDO  
SOIL AND WATER CONSERVATION DISTRICT  
FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2010  
(With Independent Auditor's Report Thereon)**

**State of New Mexico**  
**Upper Hondo Soil and Water Conservation District**  
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**June 30, 2010**

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**State of New Mexico  
Upper Hondo Soil and Water Conservation District  
Official Roster  
June 30, 2010**

**Board of Supervisors**

**Position**

Preston Stone

Chairperson

Jim Cooper

Vice-Chairperson

Scott Daniel

Secretary/Treasurer

Robert Runnels

Supervisor

Stan Thomas

Supervisor

Clark Taylor

Supervisor

David Cox

Supervisor

**District Personnel**

Gaylon Herrera

Program Director

## **Financial Section**

**Dan Austin CPA, PC  
700 Mechem Drive Ste 15  
Ruidoso, NM 88345**

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
Chairperson, Members of the Board of Supervisors  
Upper Hondo Soil & Water Conservation District  
Capitan, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund and the respective budgetary comparisons and the aggregate remaining fund information of the Upper Hondo Soil and Water Conservation District (District) as of and for the year ended June 30, 2010, 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.

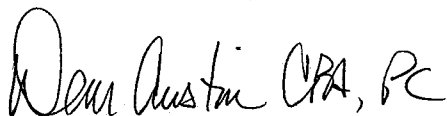
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2010, and the respective changes in financial position, thereof and the budgetary comparisons for major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 20, 2010 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Upper Hondo Soil and Water Conservation District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic, combining and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of each of the respective individual funds and the basic financial statements taken as a whole.



October 20, 2011

**STATE OF NEW MEXICO  
UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2010**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 288,684
Loans Receivable	2,000
Capital assets, Net	<u>123,742</u>
 Total assets	 <u>414,426</u>
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable	574
Accrued Payroll	1,225
Current Long-Term Debt	13,388
Noncurrent liabilities:	
Long-Term Debt	<u>80,896</u>
 Total liabilities	 <u>96,083</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	102,197
Restricted for Conservation Projects	69,399
Unrestricted	<u>146,747</u>
 Total Net Assets	 <u>\$ 318,343</u>

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

**STATE OF NEW MEXICO  
UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Governmental Activites
<b>Program Expenses:</b>	
Administration	\$ 170,291
Depreciation	7,662
Conservation Programs	1,674,151
Total program expenses	1,852,104
<b>Program Revenues:</b>	
Charges for services	14,809
State operating grants and contracts	349,109
Federal operating grants and contracts	1,261,375
Other operating grants and contracts	19,740
Total program revenues	1,645,033
Net program (expense) revenue	(207,071)
<b>General Revenues:</b>	
State appropriation	9,533
Property taxes	204,609
Interest	2,479
Total general revenues	216,621
Change in net assets	9,550
Net assets at beginning of year	308,793
Net assets at end of year	\$ 318,343

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

**STATE OF NEW MEXICO  
UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	General Fund	Special Revenue Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 288,684	\$ -	\$ 288,684
Loans Receivable	2,000	-	2,000
<b>Total assets</b>	<b>290,684</b>	<b>-</b>	<b>290,684</b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities:</b>			
Accounts payable	574	-	574
Accrued Payroll	1,225	-	1,225
<b>Total liabilities</b>	<b>1,799</b>	<b>-</b>	<b>1,799</b>
<b>Fund balance:</b>			
Restricted for Conservation Grants	69,399	-	69,399
Unassigned	219,486	-	219,486
<b>Total fund balance</b>	<b>288,885</b>	<b>-</b>	<b>288,885</b>
<b>Total liabilities and fund balance</b>	<b>\$ 290,684</b>	<b>\$ -</b>	<b>\$ 290,684</b>

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



**STATE OF NEW MEXICO  
UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT  
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS-  
TO THE STATEMENT OF NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 - Government Funds	\$ 288,885
Capital Assets not reported in the government funds, and are reported net of accumulated depreciation	123,742
Compensated absences not reported in the government funds	-
Debt principal not recorded in the government funds and reported in the Statement of net Assets	<u>(94,284)</u>
Net Assets - Statement of Net Assets	<u>\$ 318,343</u>

The notes to the financial payments are an intregal part of the financial

STATE OF NEW MEXICO  
 UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Special Revenue Fund	Total
<b>Revenues</b>			
Mill Levy	\$ 204,609	\$ -	\$ 204,609
State Allocation	9,533	-	9,533
Operating Grant -Weed Program	64,474	-	64,474
Operating Grant -BLM	-	-	-
Operating Grant - NWFW	18,000	-	18,000
Operating Grant - Water Trust Board	282,481	-	282,481
Loan Proceeds-Water Trust Board	76,932	-	76,932
Federal Grant - Emergency Watershed Prot.	-	1,261,375	1,261,375
Loan Repayments	222	-	222
Donations	1,740	-	1,740
Miscellaneous Revenue	14,809	-	14,809
Interest Income	2,479	-	2,479
<b>Total revenues</b>	<b>675,279</b>	<b>1,261,375</b>	<b>1,936,654</b>
<b>Expenditures</b>			
<b>Current:</b>			
Accountant	2,353	-	2,353
Advertising	1,675	-	1,675
Annual Meeting	318	-	318
Professional Fees	10,757	-	10,757
Bank Charges	154	-	154
Benevolence	1,117	-	1,117
BLM Projects	8,663	-	8,663
Board Expense	11,415	-	11,415
Bond	-	-	-
Building Maintenance	2,889	-	2,889
Conservation Incentives	24,191	-	24,191
Education	695	-	695
Personnel	79,913	-	79,913
Equipment Maintenance	11,625	-	11,625
Hondo Garden Project	-	-	-
Insurance	2,615	-	2,615
Membership and Dues	157	-	157
NMACD Convention	450	-	450
NMFA Payments	45,687	-	45,687
Office Supplies	1,461	-	1,461
Operations	-	-	-
Subdivision Reviews	-	-	-
Travel	4,830	-	4,830
Utilities	4,538	-	4,538
Web Site	-	-	-
Watershed Project Expense	320,444	1,261,375	1,581,819
Weed Program	61,332	-	61,332
<b>Total expenditures</b>	<b>597,279</b>	<b>1,261,375</b>	<b>1,858,654</b>
Excess (Deficiency) of Revenues Over Expenditures	78,000	-	78,000
<b>Other Financing Sources (Uses)</b>			
Other Expense	-	-	-
<b>Net Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>78,000</b>	<b>-</b>	<b>78,000</b>
Fund balance beginning of year as reported	210,885	-	210,885
<b>Fund balance end of year</b>	<b>\$ 288,885</b>	<b>\$ -</b>	<b>\$ 288,885</b>

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

**STATE OF NEW MEXICO  
UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES-  
AND CHANGES IN FUND BALANCE-GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Amounts reported for governmental activities in the Statement of Activities are different from the way they are reported in the Statement of Revenues, Expenditures and Changes in Fund Balance as follows:

Net Change in Fund Balance - Government Funds	\$ 78,000
Loan proceeds recorded as revenue in fund statements	(75,000)
Depreciation expense	(7,662)
Principal payments on debt reported as an expenditure in the government funds but recorded as reduction of debt in in the Statement of Net Assets	<u>14,212</u>
Net Assets - Statement of Net Assets	<u>\$ 9,550</u>

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

STATE OF NEW MEXICO  
 UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND AND SPECIAL REVENUE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund				Special Revenue Fund			
	Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>								
Mill Levy	\$ 207,015	\$ 207,015	\$ 204,609	\$ (2,406)	\$ -	\$ -	\$ -	\$ -
State Allocation	11,000	11,000	9,533	(1,467)	-	-	-	-
Operating Grant -Weed Program	50,000	50,000	64,474	14,474	-	-	-	-
Operating Grant -BLM	13,540	13,540	-	(13,540)	-	-	-	-
Operating Grant - NWWF	20,000	20,000	18,000	(2,000)	-	-	-	-
Operating Grant - Water Trust Board	375,000	375,000	282,481	(92,519)	-	-	-	-
Loan Proceeds-Water Trust Board	-	-	76,932	76,932	-	-	-	-
Federal Grant - Emergency Watershed Prot.	-	-	-	-	-	-	1,261,735	1,261,735
Loan Repayments	-	-	1,222	1,222	-	-	-	-
Donations	2,400	2,400	1,740	(660)	-	-	-	-
Miscellaneous Revenue	12,500	12,500	14,809	2,309	-	-	-	-
Interest Income	3,000	3,000	2,479	(521)	-	-	-	-
<b>Total revenues</b>	<b>694,455</b>	<b>694,455</b>	<b>676,279</b>	<b>(18,176)</b>	<b>-</b>	<b>-</b>	<b>1,261,735</b>	<b>1,261,735</b>
<b>Expenditures</b>								
Accountant	900	900	2,353	(1,453)	-	-	-	-
Advertising	1,000	1,000	1,675	(675)	-	-	-	-
Annual Meeting	1,000	1,000	318	682	-	-	-	-
Professional Fees	3,212	3,212	10,757	(7,545)	-	-	-	-
Bank Charges	45	45	154	(109)	-	-	-	-
Benevolence	1,000	1,000	1,117	(117)	-	-	-	-
BLM Projects	13,000	13,000	8,663	4,337	-	-	-	-
Board Expense	1,000	1,000	11,415	(10,415)	-	-	-	-
Bond	300	300	-	300	-	-	-	-
Building Maintenance	2,000	2,000	3,771	(1,771)	-	-	-	-
Conservation Incentives	50,000	50,000	24,191	25,809	-	-	-	-
Education	1,000	1,000	695	305	-	-	-	-
Personnel	86,000	86,000	79,725	6,275	-	-	-	-
Equipment Maintenance	1,500	1,500	11,625	(10,125)	-	-	-	-
Hondo Garden Project	2,000	2,000	-	2,000	-	-	-	-
Insurance	1,500	1,500	2,615	(1,115)	-	-	-	-
Membership and Dues	2,000	2,000	157	1,843	-	-	-	-
NMACD Convention	1,000	1,000	450	550	-	-	-	-
NMFA Payments	11,968	11,968	14,687	(2,719)	-	-	-	-
Office Supplies	2,500	2,500	2,353	147	-	-	-	-
Operations	1,500	1,500	-	1,500	-	-	-	-
Subdivision Reviews	1,500	1,500	-	1,500	-	-	-	-
Travel	15,000	15,000	4,830	10,170	-	-	-	-
Utilities	5,000	5,000	4,789	211	-	-	-	-
Web Site	2,500	2,500	-	2,500	-	-	-	-
Watershed Project Expense	250,000	250,000	351,444	(101,444)	-	-	1,277,730	(1,277,730)
Weed Program	236,605	236,605	61,332	175,273	-	-	-	-
<b>Total expenditures</b>	<b>695,030</b>	<b>695,030</b>	<b>599,116</b>	<b>\$ 95,914</b>	<b>-</b>	<b>-</b>	<b>1,277,730</b>	<b>\$ (1,277,730)</b>
Excess (Deficiency) of Revenues over Expenditures	(575)	(575)	\$ 77,163		-	-	\$ (15,995)	
Cash Balance, Beginning	227,516	227,516			-	-		
Cash Balance, Ending	\$ 226,941	\$ 226,941			\$ -	\$ -		

Reconciliation to GAAP Basis

Change in Accounts Payable	2,025
Change in Accrued Payroll	(188)
Change in Taxes Receivable	(1,000)
<b>Excess (Deficiency) Revenues over Expense</b>	<b>\$ 78,000</b>

Reconciliation to GAAP Basis

Change in Accounts Payable	15,995
Change in Accrued Payroll	-
Change in Accounts Receivable	-
<b>Excess (Deficiency) Revenues over Expense</b>	<b>\$ -</b>

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

**STATE OF NEW MEXICO**  
**UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Upper Hondo 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 a minimum of five elected supervisors, four of whom must be landowners in the District. Two additional supervisors may be appointed to the District board. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

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

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

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The District, a phase three government, was required to implement GASB Statement 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* in fiscal year 2004. 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, however it does apply applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. 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

**STATE OF NEW MEXICO**  
**UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Grants are recognized as revenues when all applicable eligibility requirements imposed by the provider are met. 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.

The District reports the following major governmental funds:

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

The special revenue fund is utilized to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The special revenue fund was set up to account for the District's Emergency Watershed Protection Program Federal Grant

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

As a general rule, the effect of interfund activity, if applicable, has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided such as grant administration fees and interest charged to land owners on loans for conservation projects, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment such as the Bureau of Reclamation (BOR) grant, Bureau of Land Management (BLM) grants, and various state and federal grants. Internally designated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

**STATE OF NEW MEXICO**  
**UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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

**1. Cash, cash equivalent and investments**

The District's cash and cash equivalents consist of demand deposits, money market accounts and time deposits. State statutes authorize the District to invest in obligations of the U.S. Treasury, repurchase agreements, and certificates of deposit. Investments for the government, if applicable, are reported at fair value.

**2. Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. All amounts are expected to be repaid within one year.

The loans receivable balance is considered fully collectible therefore no allowance for uncollectible accounts had been established.

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

The District's accounts payable consist of amounts due to vendors and service providers such as subcontractors who have worked on conservation projects for the products purchased and service received in the current year but are paid for in the next fiscal year.

**3. Net Assets and Fund Equity**

The difference between the District's assets and liabilities is its net assets. The District's net assets consist of the following components – **net assets invested in capital assets** net of related debt, which is the cost of capital assets, net of accumulated depreciation, **committed fund balance** represents amounts that are useable only for specified purposes by formal action of the government's highest level of authority nets assets, **assigned fund balance** represents amounts that are intended to be used for a specific purpose but are neither restricted or committed, **restricted fund balance or 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 governments or imposed by law through constitutional provisions or enabling legislation and **unassigned fund balance** is the residual classification for the general fund and represents the amounts that have not been assigned to other funds and **unrestricted net assets** in the government wide financial statements is the unclassified net assets. As reported, the District's net assets as of June 30, 2010 consist of \$102,197 invested in capital assets, \$69,399 was restricted for Conservation Projects and the remaining net assets of \$ 146,747 are unrestricted.

In fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation and/or are legally restricted by outside parties for use for a specific purpose. As reported in the fund balance in the General Fund, the fund balance \$219,486 is unassigned and \$69,399 is restricted for Conservation Projects. 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.

**STATE OF NEW MEXICO**  
**UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

4. Capital Assets

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

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

Buildings	39 years
Furniture	15 years
Vehicles	5 years
Office Equipment	6 years
Light Equipment	7 years
Computer Equipment	5 years

5. Compensated Absences

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

According to District policy, employees accrue leave at six hours per month not to exceed 160 hours..

**Stewardship, Compliance and Accountability**

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:

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.



**STATE OF NEW MEXICO  
UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

The Board reviews the budget proposal and makes any necessary adjustments.

Prior to June 1, the Board approves the budget by passing a resolution.

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.

**Detailed Notes on all Funds**

**A. Cash**

As of June 30, 2010, the District had a carrying amount of deposits as authorized by the New Mexico Constitution of \$288,694. The balances on deposit were \$279,465. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$25,047 and deposits of \$34,266.

The total bank balances consisted of the following:

Depository	Account Type	Fund Type	Balance Per Depository	Reconciling Items		Balance Per Financial Statements
				Outstanding Checks	Deposits	
City Bank NM	Checking	Operating	\$ 733	\$ (2,507)	\$ -	(1,774)
City Bank NM	Checking	Operating	141,686	-	34,253	175,939
City Bank NM	Checking	Operating	36,444	(527)	-	35,917
City Bank NM	Checking	Operating	54,796	-	-	54,796
City Bank NM	Checking	Operating	32,237	(22,013)	-	10,224
City Bank NM	Checking	Operating	13,569	-	13	13,582
<b>Total cash on deposit</b>			<b>\$ 279,465</b>	<b>\$ (25,047)</b>	<b>\$ 34,266</b>	<b>\$ 288,684</b>

**Deposit requirements per NM Statutes:**

Collateral	Market Value
None	\$ -
Total FMV of Collateral	-
Total Deposits	\$ 279,465
Less: FDIC Insurance	(250,000)
Uninsured Deposits	29,465
Required Pledge	50% 14,733
Pledge Over (Short)	Pledge Over (Short) \$ (14,733)

**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 Authority does not have deposit policy for custodial credit risk. As a result of the shortfall the District had \$29,465 in custodial credit risk June 30, 2010.

**STATE OF NEW MEXICO  
UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Buildings and improvements	\$ 119,933	\$ -	\$ -	\$ 119,933
Vehicles and Equipment	42,196	-	-	42,196
Total capital assets being depreciated	<u>162,129</u>	<u>-</u>	<u>-</u>	<u>162,129</u>
Less accumulated depreciation for:				
Buildings and improvements	16,814	3,075	-	19,889
Vehicles and Equipment	13,911	4,587	-	18,498
Total accumulated depreciation	<u>30,725</u>	<u>7,662</u>	<u>-</u>	<u>38,387</u>
Total capital assets being depreciated, net	<u>\$ 131,404</u>	<u>\$ (7,662)</u>	<u>\$ -</u>	<u>\$ 123,742</u>

**C. Long-Term Debt**

The District has entered in four loan agreements to fund various needs of the District. All loans bear a 0% interest rate. Long-term obligations of the District are as follows:

	Maturity	6/30/09	Additions	(Reductions)	6/30/10	One Year
Note Payable						
NMFA - Building	5/1/2010	\$ 6,564	\$ -	\$ (6,564)	\$ -	\$ -
NMFA - Vehicle	5/1/2014	26,932	-	(5,387)	21,545	5,387
NMFA - WTB #174	6/1/2019	-	50,000	(1,508)	48,492	5,334
NMFA - WTB #175	6/1/2019	-	25,000	(753)	24,247	2,667
Total Long-Term Obligations		<u>\$ 33,496</u>	<u>\$ 75,000</u>	<u>\$ (14,212)</u>	<u>\$ 94,284</u>	<u>\$ 13,388</u>

The annual requirements to amortize principal on all debt outstanding as of June 30, 2010, is as follows:

Fiscal Year	Principal	Interest	Total
2011	\$ 13,388	\$ -	\$ 13,388
2012	13,388	-	13,388
2013	13,388	-	13,388
2014	13,445	-	13,445
2015	8,082	-	8,082
2016-21	<u>32,593</u>	<u>-</u>	<u>32,593</u>
	<u>\$ 94,284</u>	<u>\$ -</u>	<u>\$ 94,284</u>

**STATE OF NEW MEXICO  
UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Other Information**

**A. Employee Retirement Benefits**

Plan Description—Substantially all of the District's full-time employees participate in a public employee retirement system authorized under the Public Employee Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employee 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, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://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 Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the years ended June 30, 2010, 2009, and 2008 are \$4,278, \$4,862 and \$2,476 respectively, equal to the amount of required contributions each year.

**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 currently maintains a \$100,000 surety bond as well as commercial property coverage. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

**C. Joint Powers Agreement - Pecos River Salt Cedar Control Project**

During the 2002 session, the New Mexico State Legislature appropriated \$4.5 million to the New Mexico Department of Agriculture to remove salt cedar from the Pecos River Basin. As a result of this appropriation, a joint powers agreement was established for this project. The fiscal agent for the agreement is Carlsbad Soil and Water Conservation District. Audit responsibility is with New Mexico State University. The New Mexico Association of Conservation Districts and the Carlsbad, Chaves, Central Valley, Hagerman-Dexter, DeBaca, Penasco, Guadalupe, Upper Hondo and Tierra Y Montes Soil and Water Conservation Districts are participants in the agreement. During the fiscal year 2010, the district received no funds from this agreement

## Supplemental Information

STATE OF NEW MEXICO  
 UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 JUNE 30, 2010

Name of Agency Program	Grant ID #	CFDA #	Total Awards Expended
<b>United States Department of Agriculture National Conservation Resource Service</b>			
Emergency Watershed Protection Program	69-8C30-08-0014	10.923	\$ 1,277,730
Total			<u>\$ 1,277,730</u>

Notes to the Schedule:

(1) Schedule is prepared on the modified accrual basis.

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

**Dan Austin CPA, PC**  
**700 Mechem Drive Ste. 15**  
**Ruidoso, NM 88345**

**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**

Hector H. Balderas  
New Mexico State Auditor  
Chairperson, Members of the Board of Supervisors  
Upper Hondo Soil & Water Conservation District  
PO Box 900  
Capitan, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds of the Upper Hondo Soil and Water District (the District), as of and for the year ended June 30, 2010, and have issued our report thereon dated October 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing the auditing procedures for the purpose of expressing 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 deficiency in internal control 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 and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

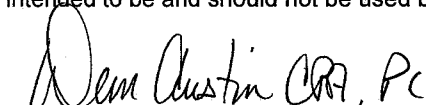
Compliance and Other Matters

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

We noted certain matters that are required to be reported under *Government Auditing Standards* January 2007 Revision paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978 which are described in the accompanying schedule of findings and responses as finding 9-2, 9-3, 9-4 and 10-1.

The Upper Hondo Soil and Water Conservation 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 Upper Hondo Soil and Water Conservation District's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the State Auditor, the New Mexico Legislature, and various agencies if the government of the United States of America and is not intended to be and should not be used by anyone other than these specified parties.

  
October 20, 2011

**Dan Austin CPA, PC**  
**700 Mechem Drive Ste. 15**  
**Ruidoso, NM 88345**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget and Budget  
Chairperson, Members of the Board of Supervisors  
Upper Hondo Soil & Water Conservation District  
PO Box 9001  
Capitan, New Mexico

Compliance

We have audited Upper Hondo Soil and Water Conservation District's compliance with the types of compliance requirements described in the *OMB A-133 Compliance Supplement* that could have a direct and material effect on each of the Upper Hondo Soil and Water Conservation District's major federal programs for the year ended June 30, 2010. The Upper Hondo Soil and Water Conservation District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Upper Hondo Soil and Water Conservation District's management. Our responsibility is to express an opinion on the Upper Hondo Soil and Water Conservation District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Upper Hondo Soil and Water Conservation District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Upper Hondo Soil and Water Conservation District's compliance with those requirements.

In our opinion, the Upper Hondo Soil and Water Conservation District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

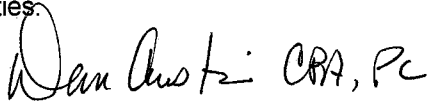
Internal Control Over Compliance

Management of the Upper Hondo Soil and Water Conservation District, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Soil and Water Conservation District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Soil and Water Conservation District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the administration, the Board of Supervisors, the New Mexico Department of Finance and Administration, the Office of the State Auditor, the New Mexico State Legislature and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

 Dan Austin, CPA, PC

October 20, 2011



**State of New Mexico**  
**Upper Hondo Soil and Water Conservation District**  
**Schedule of Audit Findings, Recommendations, Responses and Other Disclosures**  
**June 30, 2010**

**Financial Statements**

1. Type of report issued: Unqualified
2. Internal control over financial reporting:
  - a. Material weakness identified? No
  - b. Significant deficiencies identified not considered to be a material weakness? No
  - c. Noncompliance material to the financial statements noted? No

**Federal Awards**

1. Internal control over major programs:
  - a. Material weakness identified? No
  - b. Significant deficiencies identified not considered to be a material weakness? No
2. Type of auditor's report issued on compliance for major programs. Unqualified
3. Any audit findings disclosed that that are that are required to be reported in accordance with section 510(a) of Circular A-133? No
4. Identification of major programs:

CFDA  
Number  
10.923

Federal Program  
Emergency Watershed Protection Program

5. Dollar threshold used to distinguish between type A and type B programs: \$300,000
6. Auditee was a low-risk auditee? No

Federal Award Findings – None

**FINDINGS AND RECOMMENDATIONS – FINANCIAL AUDIT**

**RESOLUTION OF PRIOR YEAR FINDINGS**

- 9-1 Late Data Collection From Reporting – Resolved
- 9-2 Late Audit Report – Repeated
- 9-3 Preparation of Financial Statements – Repeated
- 9-4 Budget - Repeated

**State of New Mexico**  
**Upper Hondo Soil and Water Conservation District**  
**Schedule of Audit Findings, Recommendations, Responses and Other Disclosures**  
**June 30, 2010**

**CURRENT YEAR FINDINGS**

**9-2 Late Audit Report**

**Condition**

The audit report was filed after the due date. The report was submitted on 12 /1/11 to the State Auditor's Office.

**Criteria**

According to the State Auditor Rule 2.2.2.9 (d), the audit report due date for the District is December 1,2010.

**Cause**

The District did not realize they were a single audit this audit year. The contract with the IPA was amended causing the report to be late.

**Effect**

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

**Recommendation**

The District should make every effort to hire an auditor and complete their audit timely and be aware what the audit requirements are.

**Response**

We will make an effort to solicit an auditor and complete our audit timely and know what the audit requirements are.

**9-3 Preparation of Financial Statements**

**Condition**

The individuals responsible for the accounting functions for the District did not prepare the district's financial statements. The Financial statements were prepared by the auditor.

**Criteria**

Statement on Accounting Standards (SAS) 115, Communication of Internal Control Related Matters Identified in an Audit, requires that management clearly accept responsibility for preparing all financial information and company's financial statements.

**Cause**

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

**Effect**

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

**State of New Mexico**  
**Upper Hondo Soil and Water Conservation District**  
**Schedule of Audit Findings, Recommendations, Responses and Other Disclosures**  
**June 30, 2010**

**Recommendation**

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

**Response**

Management will continue to depend on the auditor to prepare the financial statements.

**9-4 Budget**

**Condition**

The district has maintained expenditures at the function level in which actual expenditures exceeded budgetary authority in the following fund:

	<u>Amount</u>
Special Revenue Program	\$1,277,730

**Criteria**

Sound financial management and state regulation 6.20.2.9 (A), NMAC and state statutes 22-8-5 through 22-8-12.2, NMSA 1978, require that budgets not be exceeded at the legal level of control. .

**Cause**

The District did not make the appropriate budgetary adjustments requests and transfers to the funds mentioned in the condition, which would alleviate over-expenditure within the functions prior to the year end.

**Effect**

As a result, the district is in non compliance with New Mexico law, and the control established by the use of budgets has been compromised. Continued over-expenditure of budgeted balances may result in unnecessary usage of operating funds to absorb over-expenditures.

**Recommendation**

The District must establish a policy of budgetary review at year-end, and make the necessary budget adjustments.

**Response**

We thought we were the fiscal agent and that the funds just flowed through us. We didn't know we needed to budget them. We will Budget all grants in the future.

**State of New Mexico**  
**Upper Hondo Soil and Water Conservation District**  
**Schedule of Audit Findings, Recommendations, Responses and Other Disclosures**  
**June 30, 2010**

**10-1. Deposit Security**

**Condition**

The District had a large deposit at year end from grant proceeds which resulted in one bank having uninsured and uncollateralized deposits resulting in excess deposits of \$74,712.

**Criteria**

6-10-7 NMSA 1978 requires all deposits in excess of FDIC insurance be collateralized with acceptable collateral in the amount of 50% of uninsured deposits.

**Cause**

Lack of formal review procedure for deposit collateral..

**Effect**

Deposits uninsured in the amount of \$.

**Recommendation**

The district should develop procedures to monitor cash balances and pledging requirements to insure compliance.

**Response**

The District will develop procedures to insure compliance

**FINANCIAL STATEMENT PREPARATION**

Although it would be preferred and desirable for the District to prepare its own GAAP-based financial statements, it is felt that the District's personnel have neither the time nor the expertise to prepare them. Therefore, the outside auditor has prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report, however, the responsibility for the content of the report remains with District management.

**EXIT CONFERENCE**

On December 1, 2011, an exit conference was held at the District's administrative offices. Present were Scott Daniel, Trustee, Gaylon Herrera, Program Director, Dan Austin, CPA, representing the audit firm. The District's financial condition and report for the year ended June 30, 2010, was discussed as well as other financial reporting considerations.