

**State of New Mexico**  
**OFFICE OF THE STATE AUDITOR**

**STATE OF NEW MEXICO**

**TAOS**

**SOIL AND WATER CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS**  
**Fiscal Year Ended June 30, 2005**

**(With Independent Auditor's Report Thereon)**



**Domingo P. Martinez, CGFM**  
**State Auditor**

11/20/08

STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT

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JUNE 30, 2005

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STATE AUDITOR

STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER  
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
Maureen Johnson	Chairperson
Celestino Romero	Vice-Chairperson
Edward Grant	Secretary/Treasurer
Felix Santistevan	Supervisor
Anthony Benson	Supervisor
Antonio Romero	Supervisor
Merlinda James	Supervisor
<u>District Personnel</u>	<u>Title</u>
Peter Vigil	District Manager
Charlotte Martinez	Administrative Assistant



**State of New Mexico**  
**OFFICE OF THE STATE AUDITOR**

Domingo P. Martinez, CGFM  
State Auditor

Carl M. Baldwin, CPA, CFE  
Deputy State Auditor

INDEPENDENT AUDITOR'S REPORT

Ms. Maureen Johnson, Chair  
and Members of the Board of Supervisors  
Taos Soil and Water Conservation District  
P. O. Box 2787  
Ranchos de Taos, NM 87557

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Taos Soil and Water Conservation District (District) as of and for the year ended June 30, 2005, 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 and the general fund of the District as of June 30, 2005, 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

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<http://www.sao.nm.org>

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 a report dated May 3, 2006 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.

*Office of the State Auditor*

OFFICE OF THE STATE AUDITOR

May 3, 2006

STATE OF NEW MEXICO  
 TAOS SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF NET ASSETS

JUNE 30, 2005

	Governmental Activities
<b>Assets</b>	
Cash	\$ 728,293
Accounts receivable	23,509
Property taxes receivable	13,480
Interest receivable	-
Inventory	7,920
Capital assets, net	32,947
Total assets	806,149
<b>Liabilities</b>	
Accounts payable	66,226
Accrued payroll	3,361
Noncurrent liabilities:	
Due within one year	5,102
Due in more than one year	-
Total liabilities	74,689
<b>Net Assets</b>	
Invested in capital assets	32,947
Unrestricted	698,513
Total net assets	\$ 731,460

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

STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Governmental Activities
<b>Program Expenses:</b>	
Conservation:	
Acequia Projects	\$ 137,897
Acequia GIS	16,930
Administration	21,877
Animal Damage	35,259
Bonding & Insurance	13,778
Education & Outreach	11,793
Fire Prevention	23,111
Groundwater Study	42,217
Invasive Species	4,221
Personnel Services	109,390
Range Improvements	14,145
Special Projects	57,150
Streambank Protection	8,979
Supplies	9,321
Training	3,944
Travel & Per Diem	16,578
Utilities	8,831
Office & Field Equipment	5,314
Depreciation	10,508
Total program expenses	551,243
<b>Program Revenues:</b>	
Charges for services	39,500
Total program revenues	39,500
Net program (expense) revenue	(511,743)
<b>General Revenues:</b>	
NMDA allotment	9,286
Property taxes	446,431
Interest	7,416
Total general revenues	463,133
Change in net assets	(48,610)
Net assets at beginning of year	780,070
Net assets at end of year	\$ 731,460

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

STATE OF NEW MEXICO  
 TAOS SOIL AND WATER CONSERVATION DISTRICT  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2005

	General Fund
<b>Assets</b>	
Cash	\$ 728,293
Accounts receivable	23,509
Property taxes receivable	13,480
Interest receivable	-
Inventory	7,920
Total assets	\$ 773,202
<b>Liabilities and fund balance</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 66,226
Accrued payroll	3,361
Total liabilities	69,587
<b>Fund balance:</b>	
Reserved for inventory	7,920
Unreserved, designated for subsequent year's expenditures	285,000
Unreserved, undesignated	410,695
Total fund balance	703,615
Total liabilities and fund balance	\$ 773,202

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



STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
FINANCIAL STATEMENT RECONCILIATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS:**

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

Fund Balance - Balance Sheet (Exhibit 3)	\$ 703,615
Capital assets, net of accumulated depreciation	32,947
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Compensated absences	<u>(5,102)</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 731,460</u></u>

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

STATE OF NEW MEXICO  
 TAOS SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>General Fund</u>
<b>Revenues</b>	
State allocation	\$ 446,430
Mill Levy	9,286
Interest Income	7,416
Reimbursements	39,500
Material sales	-
Total revenues	<u>502,632</u>
<b>Expenditures</b>	
Conservation:	
Current:	
Acequia Projects	137,897
Acequia GIS	16,930
Administration	21,877
Animal Damage	35,259
Bonding & Insurance	13,778
Education & Outreach	11,793
Fire Prevention	23,111
Groundwater Study	42,217
Invasive Species	4,221
Personnel Services	107,441
Range Improvements	14,145
Special Projects	57,150
Streambank Protection	8,979
Supplies	9,321
Training	3,944
Travel & Per Diem	16,578
Utilities	8,831
Office & Field Equipment	5,314
Capital outlay	4,491
Total expenditures	<u>543,277</u>
Net change in fund balance	(40,645)
Fund balance beginning of year	<u>744,260</u>
Fund balance end of year	<u>\$ 703,615</u>

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

STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
FINANCIAL STATEMENT RECONCILIATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**RECONCILIATION OF THE STATEMENT OF ACTIVITIES TO THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES:**

Net change in fund balance - Governmental Funds (Exhibit 4)           \$   (40,645)

Amounts reported in the Statement of Activities are different because:

In the Statement of Activities, compensated absences are measured by the amounts 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 increase for the liability not recorded in the balance sheet is:

Net increase in compensated absences   (1,946)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful life of the asset and reported as depreciation expense as follows:

Capital outlay	4,489
Depreciation expense	<u>(10,508)</u>

Change in net assets - Statement of Activities (Exhibit 2)           \$   (48,610)

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

STATE OF NEW MEXICO  
 TAOS SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Exhibit 5

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Property taxes	\$ 414,500	\$ 414,500	\$ 446,684	\$ (32,184)
State allocation	10,500	10,500	9,286	1,214
Interest Income	3,600	3,600	7,451	(3,851)
Income/Reimbursements	6,500	6,500	16,500	(10,000)
Total revenues	<u>435,100</u>	<u>435,100</u>	<u>\$ 479,921</u>	<u>\$ (44,821)</u>
Cash balance budgeted	294,000	294,000		
Total revenues and cash	<u>\$ 729,100</u>	<u>\$ 729,100</u>		
<b>Expenditures</b>				
Current:				
Acequia GIS	\$ 15,000	\$ 17,000	\$ 16,930	\$ 70
Acequia Projects	253,500	253,500	142,500	111,000
Administration	14,000	19,500	18,844	656
Animal Damage	13,000	35,500	35,353	147
Bonding & Insurance	31,500	14,500	13,778	722
Education & Outreach	10,000	14,100	11,793	2,307
Fire Prevention	21,500	25,000	23,111	1,889
Groundwater Study	15,000	44,400	40,883	3,517
Invasive Species	2,000	4,000	3,970	30
Miscellaneous	1,000	1,000	1,250	(250)
Personnel Services	137,600	109,100	108,474	626
Range Improvements	30,500	30,500	14,633	15,867
Special Projects	10,000	10,000	2,198	7,802
Stream Bank Protection	133,500	99,500	11,479	88,021
Supplies	8,000	10,000	8,748	1,252
Training	5,000	5,000	3,944	1,056
Travel & Per Diem	15,000	20,000	18,275	1,725
Utilities	5,000	8,500	8,002	498
Office & Field Equipment	8,000	8,000	8,000	-
Total expenditures	<u>\$ 729,100</u>	<u>\$ 729,100</u>	<u>\$ 492,165</u>	<u>\$ 236,935</u>

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

STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Taos Soil and Water Conservation District (District) is organized under the provisions of the Soil and Water Conservation District Act (73-20-25 through 73-20-49 NMSA 1978). The District is a governmental subdivision of the state, a public body corporate and politic, organized for control and prevention of flood, sediment, and soil erosion damage, and to further the conservation, development and beneficial use of water and soil resources. The governing body of the District consists of five elected supervisors, four of whom must be landowners in the District. Two additional supervisors may be appointed to the District board. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

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

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

The financial 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 is required to implement GASB Statement 40, *Deposit and Investment Risk Disclosures* in fiscal year 2005. 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 nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities,

STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

which rely to a significant extent on fees and charges for support. However, the District does not have any fiduciary or business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds.

**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. The District reports the following major governmental funds:

STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

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.

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 charges to customers or applicants for goods, services, or privileges provided. The District did not receive any operating or capital grants and contributions during the fiscal year. Internally designated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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**

The District's cash is considered to be demand deposits.

**2. Receivables**

Receivables consist of \$23,509 for accounts receivable and \$13,480 for property taxes receivable. They are considered to be fully collectible.

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 Taos County Treasurer and are remitted to the District in the month following collection.

STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

3. Inventory

The District maintains an inventory of pipes and certain other items for resale. The value of inventory at June 30, 2005 is \$7,920. All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

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 \$1,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized. There is no infrastructure required to be reported pursuant to GASB statement no. 34.

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

Buildings	20 years
Vehicles	5 years
Software	5 years
Equipment	5 years

5. Payables

The District's accounts payable represent routine monthly bills for services rendered and products purchased in the current year and paid in the following year. Accounts payable consists of \$3,361 for accrued payroll and \$66,226 for vendors.

6. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and 25% of sick pay are accrued when incurred in the government-wide financial statements.



STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

According to District policy, an employee accrues 2-4 hours annual and sick leave, depending on employment duration, per two-week pay period. Employees who separate from the District due to retirement and death are compensated for their total unused sick leave accumulations at the rate of 25%. Employees may not carry more than 104 hours forward from one calendar year to the next.

**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  
TAOS SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

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

		General Fund
Non-GAAP revenues (Exhibit 5)	\$	479,921
Prior year receivables		(14,278)
Current year receivables		36,989
GAAP revenues (Exhibit 4)	\$	<u>502,632</u>
Non-GAAP expenditures (Exhibit 5)	\$	492,165
Prior year payables		(11,525)
Prior year inventory		970
Current year inventory		(7,920)
Current year payables		69,587
GAAP expenditures (Exhibit 4)	\$	<u>543,277</u>

**III. Detailed Notes on all Funds**

**A. Cash**

As of June 30, 2005, the District had a carrying amount of deposits of \$728,293. The bank balances for deposits were \$757,247. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$28,954. The total bank balance consisted of the following:

<u>First State Bank</u>		
Demand deposits	\$	336,625
Less: FDIC coverage		<u>(100,000)</u>
Amount uninsured	\$	<u>226,625</u>
50% collateral requirement		\$ (113,313)
Pledged securities at fair market value		<u>169,767</u>
Over (Under) Collateralized	\$	<u>56,454</u>

Custodial credit risk is the risk that in the event of a bank (or other custodial agent) failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2005,

STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

\$56,828 of the District's cash balances of \$757,247 was exposed to custodial credit risk which was uninsured and uncollateralized.

The following securities are pledged as collateral for deposits with the First State held in the name of the District at the Federal Home Loan Bank of Dallas: Federal Home Loan Bank CUSIP #31339YEL2, 3.05% rate, and a maturity date of 12/30/2008, par value of \$150,000, market value of \$145,032 and Federal Home Loan Bank CUSIP #3133MTQB7, 3.50% rate, and a maturity date of 11/15/2007, par value of \$25,000, market value of \$24,735.

Centinel Bank of Taos

Time Deposit	\$ 81,471
Less: FDIC coverage	<u>(81,471)</u>
Amount uninsured	<u>\$ - 0 -</u>

People's Bank

Money Market Deposit Account	\$ 71,136
Less: FDIC coverage	<u>(7,136)</u>
Amount uninsured	<u>\$ - 0 -</u>

Calvert Investment Group

Money Market Deposit Account	\$ 268,015
Less: FDIC coverage	<u>(268,015)</u>
Amount uninsured	<u>\$ - 0 -</u>

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

Description	Balance		Additions	Deletions	Balance	
	6/30/04	6/30/05			6/30/04	6/30/05
Building	\$ 13,742	-	-	-	\$ 13,742	
Vehicles	48,207	-	-	-	48,207	
Software	3,494	-	-	-	3,494	
Computer equipment	32,544	4,490	4,490	-	37,034	
Totals	97,987	4,490	4,490	-	102,477	
Less: Accumulated depreciation	(59,022)	(10,508)		-	(69,530)	
Net capital assets	<u>\$ 38,965</u>	<u>(6,018)</u>		<u>-</u>	<u>\$ 32,947</u>	

**C. Operating Lease**

The District leases office space from the County of Taos under an 18-year, cancelable lease expiring in March 30, 2020. The lease states that the compensation for the lease term shall be those amounts paid by the District from March 30, 1998 to March 30, 2002. The lease is renewable for another 18 years for payments of \$41,500.

**D. Long-Term Debt**

Changes in Long-term Liabilities

Long-term debt activity for the year ended June 30, 2005 was as follows:

	Balance		Decreases	Balance		Amount due within 1 year
	6/30/04	Increases		6/30/05		
Compensated absences	<u>\$ 3,156</u>	<u>\$ 14,226</u>	<u>\$ (12,280)</u>	<u>\$ 5,102</u>	<u>\$ 5,102</u>	
Totals	<u>\$ 3,156</u>	<u>\$ 14,226</u>	<u>\$ (12,280)</u>	<u>\$ 5,102</u>	<u>\$ 5,102</u>	

STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

**IV. 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 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 retirement, disability and 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. The report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

*Funding Policy.* Plan members are required to contribute 13.15% of their gross salary. The District is required to contribute 9.15% 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, 2005, 2004 and 2003 are \$12,245, \$13,561 and \$12,251 respectively, equal to the amount of required contributions each year.

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

**B. Risk Management**

The District is exposed to various risks of loss due to torts, theft or damage of assets, errors and omissions and natural disasters. The District's supervisors and employees are covered by an errors and omissions liability policy purchased by the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,050,000 for each wrongful act and \$1,050,000 for the policy aggregated. The District is required to obtain a corporate surety bond on behalf of persons responsible for District assets. The District currently maintains a \$100,000 fidelity bond on its Chairperson and \$100,000 on its Secretary/Treasurer as well as commercial property coverage. The District also maintains a notary errors and omissions policy on the district clerk for notary services provided to the District. The District has not faced any losses during the last several years and is not a defendant in any lawsuit.

STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

**C. Joint Powers Agreement – Comanche Creek Watershed Restoration Project**

A Joint Powers Agreement was established between the New Mexico Environment Department and Taos Soil and Water Conservation District for the purpose to restore habitat for the Rio Grande Cutthroat Trout in Comanche Creek, Taos County. The terms of the agreement are summarized as follows:

Date of agreement:	July 28, 2004
Participants:	New Mexico Environment Department and Taos Soil and Water Conservation District.
Responsible party for operations:	Taos Soil and Water Conservation District
Description:	Comanche Creek Watershed Restoration Project
Beginning and ending date of agreement:	August 16, 2004 to June 30, 2005
Total estimated amount:	\$143,510
Amount expended to date:	\$ 20,744
Audit responsibility:	New Mexico Environment Department
Fiscal agent:	Taos Soil and Water Conservation District
The government agency where revenues and expenditures are reported:	New Mexico Environment Department



# State of New Mexico

## OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM  
State Auditor

Carl M. Baldwin, CPA, CFE  
Deputy State Auditor

### 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*

Ms. Maureen Johnson, Chair  
and Members of the Board of Supervisors  
Taos Soil and Water Conservation District  
P. O. Box 2787  
Ranchos de Taos, New Mexico 87557

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Taos Soil and Water Conservation District (District) as of and for the year ended June 30, 2005 and have issued our report dated May 3, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items 05-1 and 05-2.

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, the state legislature and grantors and is not intended to be and should not be used by anyone other than these specified parties.

*Office of the State Auditor*

OFFICE OF THE STATE AUDITOR  
May 3, 2006



STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2005

STATUS OF PRIOR YEAR AUDIT FINDINGS

00-01. Employee PERA Contribution – Resolved.

CURRENT YEAR AUDIT FINDINGS

05-1 PERA Payments

05-2 Deposits Not Timely

**05-1 PERA Payments**

Condition

During our audit of the fiscal year ended June 30, 2005, we noted that the 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> quarter IRS 941 forms misstated the taxable amount of salaries.

Criteria

PERA requires that employees contribute 7% of gross wages. The District should contribute the correct amount.

Effect

The District overpaid PERA for the 1<sup>st</sup> and 2<sup>nd</sup> quarters and underpaid PERA the 3<sup>rd</sup> quarter, for a net overpayment of \$43.64.

Cause

The District uses an outside accounting service for payroll. The service appears to have calculated the wrong amounts for PERA non-taxable deductions.

Recommendation

The District should discuss the errors with the accounting service to ascertain to the cause of the problem and ensure proper calculation of future PERA payments.

STATE OF NEW MEXICO  
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SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2005

District Response

The District will immediately communicate the audit finding to the accountant and resolve the procedure that allowed these errors to occur. Additionally, District staff will acquire the skills and knowledge necessary to review the accountant's report to PERA before it is paid.

**05-2 Deposits Not Made Timely**

Condition

During our audit of the fiscal year ended June 30, 2005, we noted that two (2) receipts (total of \$236,738) out of six (total of \$358,496) tested were not deposited timely. A receipt for \$164,621 was dated January 10, 2005 by the Taos County Treasurer and deposited 14 days later on January 24, 2005. A receipt for \$72,117 was also dated June 10, 2005 and it was deposited ten days later on June 20, 2005. The exact date they were received by the District could not be determined, although District staff agreed that they were not deposited within 24 hours of receipt.

Criteria

Section 6.20.2.14 NMAC, and Sections 6-10-3 and 6-10-36.1 NMSA 1978 establish requirements for the timely deposit of funds by governmental agencies which cannot exceed five days from the date of collection when there is no suitable banking facility in the locality. In the case of the Taos Soil and Water Conservation District which has suitable banking facilities, timely deposit is interpreted as within 24 hours of receipt.

Effect

The District was not in compliance with State law and receipts could be lost or stolen if not deposited timely.

Cause

District personnel were unaware of the 24 hour deposit requirement.

Recommendation

We recommend that the District make deposits within 24 hours of receipt.

STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2005

District Response

Effective immediately, all monies will be deposited within 24 hours of receipt. Additionally, all employees and offices of the board will be informed of the requirements.

STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2005

Financial Statement Preparation

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

Exit Conference

On May 5, 2006, an exit conference was held at the District Office with Maureen Johnson, Chairperson, Peter Vigil, District Manager of the Taos Soil and Water Conservation District, and Charlotte Martinez, Administrative Assistant. Representing the Office of the State Auditor were audit manager La Vonne Cornett, CPA and assistant auditor, Peter Pacheco.