

STATE OF NEW MEXICO
TAOS
SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2006

(With Independent Auditor's Report Thereon)

STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT

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JUNE 30, 2006

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STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
JUNE 30, 2006

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



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

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, 2006, 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, 2006, 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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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 March 2, 2007 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

March 2, 2007

STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006
Governmental
Activities

Assets	
Cash and cash equivalent	\$ 612,525
Property taxes receivable	12,805
Inventory	3,308
Capital assets, net	<u>44,260</u>
Total assets	<u>672,898</u>
Liabilities	
Accounts payable	6,593
Accrued payroll	4,873
Compensated absences due within one year	<u>6,869</u>
Total liabilities	<u>18,335</u>
Net Assets	
Invested in capital assets	44,260
Unrestricted	<u>610,303</u>
Total net assets	<u><u>\$ 654,563</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 ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Governmental Activities
Program Expenses:	
Conservation:	
Acequia Projects	\$ 99,355
Acequia GIS	-
Administration	32,542
Animal Damage	37,893
Bonding & Insurance	11,048
Contract Labor	125,211
Education & Outreach	13,104
Fire Prevention	30,908
Grant Projects	55,416
Groundwater Study	13,532
Invasive Species	5,188
Personnel Services	108,882
Range Improvements	7,427
Special Projects	-
Streambank Protection	2,360
Supplies	9,385
Training	6,648
Travel & Per Diem	22,899
Utilities	7,198
Office & Field Equipment	2,620
Depreciation	14,413
Total program expenses	606,029
Program Revenues:	
Charges for services	5,962
Operating Grant-Hunt's Pond	32,461
Total program revenues	38,423
Net program (expense) revenue	(567,606)
General Revenues:	
NMDA allotment	9,944
Property taxes	466,583
Interest	14,182
Total general revenues	490,709
Change in net assets	(76,897)
Net assets at beginning of year	731,460
Net assets at end of year	\$ 654,563

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, 2006

	General Fund
Assets	
Cash and cash equivalents	\$ 612,525
Property taxes receivable	12,805
Inventory	3,308
Total assets	\$ 628,638
Liabilities and fund balance	
Liabilities:	
Accounts payable	\$ 6,593
Accrued payroll	4,873
Total liabilities	11,466
Fund balance:	
Reserved for inventory	3,308
Unreserved, designated for subsequent year's expenditures	164,456
Unreserved, undesignated	449,408
Total fund balance	617,172
Total liabilities and fund balance	\$ 628,638

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

STATE OF NEW MEXICO
TAOS 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, 2006

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)	\$ 617,172
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the general fund:	
Capital assets, net of accumulated depreciation	44,260
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Compensated absences	<u>(6,869)</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 654,563</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, 2006

	<u>General Fund</u>
Revenues	
State allocation	\$ 9,944
Property taxes	466,583
Hunt's Pond state operating grant	32,461
Interest Income	14,182
Reimbursements	<u>5,962</u>
Total revenues	<u>529,132</u>
Expenditures	
Conservation:	
Current:	
Acequia Projects	99,355
Acequia GIS	-
Administration	32,542
Animal Damage	37,893
Bonding & Insurance	11,048
Contract Labor	125,211
Education & Outreach	13,104
Fire Prevention	30,908
Grant Projects	55,416
Groundwater Study	13,532
Invasive Species	5,188
Personnel Services	107,115
Range Improvements	7,427
Special Projects	-
Streambank Protection	2,360
Supplies	9,385
Training	6,648
Travel & Per Diem	22,899
Utilities	7,198
Office & Field Equipment	2,620
Capital outlay	<u>25,726</u>
Total expenditures	<u>615,575</u>
Net change in fund balance	(86,443)
Fund balance beginning of year	<u>703,615</u>
Fund balance end of year	<u><u>\$ 617,172</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
RECONCILIATION OF THE STATEMENT OF ACTIVITIES TO THE STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net change in fund balance - Governmental Funds (Exhibit 4) \$ (86,443)

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 (1,767)

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 25,726
Depreciation expense (14,413)

Change in net assets - Statement of Activities (Exhibit 2) \$ (76,897)

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, 2006

Exhibit 5

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 571,500	\$ 571,500	\$ 467,258	\$ 104,242
State allocation	10,000	10,000	9,944	56
Grants	80,000	80,000	55,970	24,030
Interest Income	8,000	8,000	14,182	(6,182)
Income/Reimbursements	20,000	20,000	5,962	14,038
Total revenues	<u>689,500</u>	<u>689,500</u>	<u>\$ 553,316</u>	<u>\$ 136,184</u>
Cash balance budgeted	285,500	294,000		
Total revenues and cash balance budgeted	<u>\$ 975,000</u>	<u>\$ 983,500</u>		
Expenditures				
Current:				
Acequia GIS	\$ 12,000	\$ 12,000	-	\$ 12,000
Acequia Projects	320,000	320,000	153,602	166,398
Administration	22,000	36,500	33,301	3,199
Animal Damage	32,000	42,000	37,453	4,547
Bonding & Insurance	23,000	12,000	11,049	951
Contract Labor	100,000	135,000	123,671	11,329
Education & Outreach	14,000	16,000	13,104	2,896
Fire Prevention	21,000	32,500	30,908	1,592
Grant Projects	72,000	72,000	55,416	16,584
Groundwater Study	10,000	21,000	14,866	6,134
Invasive Species	4,000	5,500	5,439	61
Other	-	500	-	500
Personnel Services	1,000	106,000	105,603	397
Range Improvements	121,000	16,000	7,000	9,000
Special Projects	22,000	3,000	-	3,000
Stream Bank Protection	39,000	54,500	1,396	53,104
Supplies	110,000	10,000	9,871	129
Training	9,000	7,500	6,648	852
Travel & Per Diem	5,000	22,500	21,588	912
Utilities	20,000	9,000	8,019	981
Office & Field Equipment	8,000	41,500	30,151	11,349
Miscellaneous	-	-	-	-
Total expenditures	<u>\$ 965,000</u>	<u>\$ 975,000</u>	<u>\$ 669,085</u>	<u>\$ 305,915</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, 2006

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

STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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 such as sale of trees and pesticide and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment such as Hunt's Pond state operating grant for restoration project. 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.

STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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.

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.

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, Net Assets and Fund Balance

1. Cash and cash equivalent

The District's cash consists of demand deposits, money market accounts, and a money market account which consists of short-term brokered certificates of \$100,000 or less, with original maturities less than twelve months.

2. Receivables

Receivables consist of \$12,805 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, 2006

3. Inventory

The District maintains an inventory of pipes and certain other items for resale. The value of inventory at June 30, 2006 is \$3,308. 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 \$5,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized. There is no infrastructure 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
Computer equipment	5 years

5. Payables

The District's accounts payable represent routine monthly bills for services rendered and products purchased and received in the current fiscal year but not paid for until after fiscal year end. Payables consist of \$4,873 for accrued payroll and \$6,593 for account payables to 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, 2006

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.

7. Net Assets and Fund Balance

The difference between the District's assets and liabilities is its net assets. The District's net assets consist of three components – invested in capital assets, which is the cost of capital assets, net of accumulated depreciation, unrestricted net assets and restricted net assets-wherein the constraints are placed on net asset use either by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provision or enabling legislation.

Fund balance as reported in Exhibit 3 represents assets less liabilities of the governmental fund. The general fund reports reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific use. Designations may be established to indicate tentative plans for resource utilization in a future period. The District currently has \$3,308 reserved for inventory. The District also currently has an unreserved fund balance, designated for subsequent year's expenditures of \$164,456 to balance the FY07 budget.

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.

STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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.

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

	General Fund	
Non-GAAP revenues (Exhibit 5)	\$ 553,316	
Prior year receivables	(36,989)	
Current year receivables	12,805	
GAAP revenues (Exhibit 4)	<u>\$ 529,132</u>	
Non-GAAP expenditures (Exhibit 5)	\$ 669,085	
Prior year payables	(69,588)	
Prior year inventory	7,920	
Current year inventory	(3,308)	
Current year payables	11,466	
GAAP expenditures (Exhibit 4)	<u>\$ 615,575</u>	

III. Detailed Notes on all Funds

A. Cash and cash equivalents

As of June 30, 2006, the District had a carrying amount of deposits of \$612,525. The bank balances for deposits were \$618,312. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$5,787. The total bank balance consisted of the following:

First State Bank

STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

Demand deposits	\$ 186,585
Less: FDIC coverage	<u>(100,000)</u>
Amount uninsured	<u>\$ 86,585</u>
50% collateral requirement	\$ (43,293)
Pledged securities at fair market value	<u>166,047</u>
Over (Under) Collateralized	<u>\$ 122,754</u>

The following securities are pledged as collateral for deposits with the First State Bank 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 \$141,704 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 \$24,344.

<u>Centinel Bank of Taos</u>	
Time Deposit	\$ 82,287
Less: FDIC coverage	<u>(82,287)</u>
Amount uninsured	<u>\$ -0-</u>

<u>People's Bank</u>	
Money Market Deposit Account	\$ 71,935
Less: FDIC coverage	<u>(71,935)</u>
Amount uninsured	<u>\$ -0-</u>

<u>Calvert Investment Group</u>	
Money Market Deposit Account	\$ 277,505
Less: FDIC coverage	<u>(277,505)</u>
Amount uninsured	<u>\$ -0-</u>

* Calvert Investment Group consisted of CD's, each CD does not exceed \$100,000 and is fully insured by the FDIC.

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, none of the District's cash balance of \$612,525 was exposed to custodial credit risk since all deposits were either insured by the FDIC or collateralized by securities.

STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

B. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance		Balance	
	6/30/05	Additions	Deletions	6/30/06
Governmental Activities				
Building	\$ 13,742	\$ -	\$ -	\$ 13,742
Vehicles	48,207	-	-	48,207
Software	3,494	-	-	3,494
Computer equipment	37,034	25,726	-	62,760
Totals at historical cost	<u>102,477</u>	<u>25,726</u>	<u>-</u>	<u>128,203</u>
Less: Accumulated depreciation for:				
Building	(3,722)	(7,557)		(11,279)
Vehicles	(37,739)	(460)		(38,199)
Software	(2,536)	(5,709)		(8,245)
Computer equipment	(25,533)	(687)	-	(26,220)
Total accumulated depreciation	<u>(69,530)</u>	<u>(14,413)</u>		<u>(83,943)</u>
Net capital assets	<u>\$ 32,947</u>	<u>\$ 11,313</u>	<u>\$ -</u>	<u>\$ 44,260</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.

STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

D. Long-Term Debt

Changes in Long-term Liabilities

Long-term debt activity for the year ended June 30, 2006 was as follows:

	Balance 6/30/05	Increases	Decreases	Balance 6/30/06	Amount due within 1 year
Compensated absences	<u>\$ 5,102</u>	<u>\$ 18,404</u>	<u>\$ (16,637)</u>	<u>\$ 6,869</u>	<u>\$ 6,869</u>
Totals	<u>\$ 5,102</u>	<u>\$ 18,404</u>	<u>\$ (16,637)</u>	<u>\$ 6,869</u>	<u>\$ 6,869</u>

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 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, 2006, 2005 and 2004 are \$12,735, \$12,245 and \$13,561 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.

STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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.

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 and additional projects in FY06
Total estimated amount:	\$143,510
Amount expended to date:	\$ 76,714
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



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

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, 2006 and have issued our report dated May 2, 2007. 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as item 06-1.

A material weakness is a reportable 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 error 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

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period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is not considered to be a material weakness.

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 responses as items 05-1 and 06-1.

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 these specified parties.

Office of the State Auditor

OFFICE OF THE STATE AUDITOR
May 2, 2007

STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2006

STATUS OF PRIOR YEAR AUDIT FINDINGS

- 05-1. PERA Payments - Modified and Repeated
- 05-2. Deposits Not Timely – Resolved and Not Repeated

CURRENT YEAR AUDIT FINDINGS

05-1. Inaccurate Payments to PERA

Condition

During our audit of the fiscal year ended June 30, 2006, we noted in three of the four quarters that employee PERA (Public Employees Retirement Association) payments were incorrect.

Criteria

PERA requires that employees contribute 7% of gross wages. Also, the District is required to contribute 7% of employees gross wages. (10-11-48 to 10-11-49 NMSA 1978)

Effect

The District underpaid PERA for the 3rd and 4thth quarters and overpaid PERA the 2nd quarter, for a net underpayment of \$146,74.

Cause

The District uses an outside accounting service for payroll. The service appears to have calculated the wrong amounts for PERA non-taxable deductions. Also, the District was not verifying the PERA deductions.

Recommendation

The District should discuss the errors with the accounting service to ascertain the cause of the problem and ensure it submits the correct payment amounts to PERA.

STATE OF NEW MEXICO
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SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2006

District's 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.

06-1. Inaccurate Capital Assets Listing

Condition

The District's capital asset listing did not include all assets of the District. The listing was missing four items totaling \$5,806. The listing was also missing the required location of assets and fixed asset numbers.

Criteria

Section 2.20.1.8 A NMAC Fixed Asset Accounting System, states that each agency should implement systematic and well documented methods for accounting for their fixed assets. The information to be recorded and maintained on its fixed asses, must include at a minimum: agency name, fixed asset number, meaningful description of asset, location, manufacturer, model number or model name, serial number or VIN number, estimated useful life, date (month and year) acquired, fund and organization that purchased asset and the cost of the asset.

Effect

The District is in non-compliance with state regulations and the District's capital assets are susceptible to loss and misappropriation if adequate accounting controls aren't exercised.

Cause

The District staff was unaware of the regulation.

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SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2006

Recommendation

The District should follow the regulations and account fully for its fixed assets.

District's Response

The District will implement systematic and well documented methods for accounting of fixed assets which shall include, at a minimum: agency name, fixed asset number, meaningful description of asset, location, manufacturer, model number or model name, serial number or VIN number, estimated useful life, date (month and year) acquired, fund and organization that purchased asset and the cost of the asset. Additionally, the District shall fully account for the related depreciation of all fixed assets.

STATE OF NEW MEXICO
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EXIT CONFERENCE
JUNE 30, 2006

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 March 2, 2007, 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 supervisor Joyce Sandoval, and staff auditor, Peter Pacheco.