

**STATE OF NEW MEXICO
Taos Soil and Water Conservation District**

**Financial Statements and Schedules
With independent Auditor's Report Thereon**

For the Fiscal Year Ended June 30, 2009

**JOSEPH M. SALAZAR, CPA
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**State of New Mexico
Taos Soil and Water Conservation District**

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June 30, 2009

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**State of New Mexico
Taos Soil and Water Conservation District**

Official Roster

June 30, 2009

Board of Supervisors

Maureen Johnson

Felix Santistevan

Edward Grant

Anthony Benson

Antonio Romero

Stephen Trujillo

District Personal

Peter Vigil

Charlotte Martinez

Matthew Valerio

Position

Chairperson

Vice-Chairperson

Secretary/Treasurer

Supervisor

Supervisor

Supervisor

Title

District Manager

Administrative Assistant

Survey Design Technician

JOSEPH M. SALAZAR
CERTIFIED PUBLIC ACCOUNTANT
P.O. Box 1744
Espanola, New Mexico 87532
Phone/Fax 505-747-2775

Independent Auditor's Report

Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

And

Taos Soil and Water Conservation District
Board Members
P.O. Box 2787
Ranchos de Taos, New Mexico

We have audited the accompanying financial statements of the governmental activities, the major fund, and the respective budgetary comparison of the State of New Mexico Taos Soil and Water Conservation District (District) as of and for the year ended June 30, 2009 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and the major fund of the District as of June 30, 2009 and the respective changes in the financial position thereof and the respective budgetary comparison for the general fund 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 November 12, 2009 on our consideration of the District's internal control over financial reporting and on 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 Taos Soil and Water Conservation District has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basis financial statements.

Joseph M. Salazar CPA
November 12, 2009

Basic Financial Statements

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET ASSETS
June 30,2009**

Exhibit 1

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,170,990
Property taxes receivable	18,724
Inventory	5,462
Total current assets	<u>1,195,176</u>
Non Current Assets	
Capital assets	174,143
less accumulated depreciation	<u>(129,112)</u>
Total capital assets net of depreciation	45,031
Total assets	<u><u>\$ 1,240,207</u></u>
LIABILITIES	
Liabilities	
Account payable	\$ 10,009
Accrued payroll	3,441
Compensated absences-current	2,528
Total liabilities	<u>15,978</u>
NET ASSETS	
Invested in capital assets	45,031
Unrestricted	<u>1,179,198</u>
Total net assets	<u>1,224,229</u>
Total liabilities and net assets	<u><u>\$ 1,240,207</u></u>

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

STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Exhibit 2

Program Expenses	Governmental Activities
Conservation:	
Current	
Acequia project	\$ 113,152
Administration	31,840
Animal damage	40,890
Bonding and insurance	14,933
Contract labor	70,664
Education and outreach	8,223
Fire prevention	11,110
Grant projects	9,448
Invasive species	10,271
Personnel services	152,798
Range improvements	14,500
Special projects	3,835
Streambank protection	69,732
Supplies	10,572
Training	4,092
Travel and per diem	20,767
Utilities	7,676
Office and field equipment	651
Water program	257
Miscellaneous	297
Depreciation	15,771
Total expenditures	<u>611,479</u>
 Program Revenues	
Charges for services	<u>5,761</u>
Total program revenue	<u>5,761</u>
Net program (expenses)revenues	<u>(605,718)</u>
 General revenues	
NMDA allotment	10,751
Property taxes	784,582
Interest	22,608
Grant income	10,552
Miscellaneous	71
Total general revenues	<u>828,564</u>
Change in net assets	<u>222,846</u>
Net Assets-Beginning of Year	1,001,383
Net Assets-End of Year	<u><u>\$ 1,224,229</u></u>

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

STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30,2009

Exhibit 3

ASSETS	General Fund
Cash and cash equivalents	\$ 1,170,990
Property taxes receivable	18,724
Inventory	5,462
Total Assets	<u>\$ 1,195,176</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Account payable	\$ 10,009
Accrued payroll	3,441
Total Liabilities	<u>13,450</u>
Fund balance	
Reserved for inventory	5,462
Unreserved, designated for subsequent year's expenditures	211,800
Unreserved, undesignated	964,464
Total fund balance	<u>1,181,726</u>
Total Liabilities and Fund Balances	<u>\$ 1,195,176</u>

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

STATE OF NEW MEXICO **Exhibit 4**
TAOS SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

Total fund balances for governmental funds		\$ 1,181,726
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Capital assets	174,143	
Accumulated depreciation	<u>(129,112)</u>	
Total capital assets		\$ 45,031
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Compensated absences	\$ 2,528	
Total liabilities		(2,528)
Net Assets of Governmental Activities		<u>\$1,224,229</u>

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

STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
STATEMENT REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

Exhibit 5

	General Fund
REVENUES	
Grant income	10,552
State allocation	10,751
Property taxes	784,582
Interest income	22,608
Reimbursements	5,761
Miscellaneous	71
Total Revenues	834,325
 EXPENDITURES	
Conservation:	
Current	
Acequia project	113,152
Administration	31,840
Animal damage	40,890
Bonding and insurance	14,933
Contract labor	70,664
Education and outreach	8,223
Fire prevention	11,110
Grant projects	9,448
Invasive species	10,271
Personnel services	155,222
Range improvements	14,500
Streambank protection	69,732
Special projects	3,835
Supplies	10,572
Training	4,092
Travel and per diem	20,767
Utilities	7,676
Office and field equipment	8,515
Water programs	257
Miscellaneous	297
Total expenditures	605,996
Net Changes in Fund Balances	228,329
Fund Balances-Beginning of Year	953,397
Fund Balance-End of Year	\$ 1,181,726

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

STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Exhibit 6

FOR THE YEAR ENDED JUNE 30, 2009

Net change in fund balance – total governmental funds	\$228,329
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital outlay	\$	7,864	
Depreciation expense		<u>(15,771)</u>	
Excess of capital outlay over depreciation expense			\$ (7,907)

Expenses recognized in the Statement of Activities.

Not reported in governmental funds- decrease in compensated absences	2,424
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Changes in Net Assets of Governmental Activities	<u>\$222,846</u>
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The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO **Exhibit 7**
TAOS SOIL AND WATER CONSERVATION DISTRICT
STATEMENT REVENUE AND EXPENDITURES- BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) GENERAL FUND
For Year Ended June 30, 2009

	<u>GENERAL FUND</u>			
	Budget Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Property taxes	\$ 760,000	\$ 760,000	\$ 789,677	29,677
State allocation	11,000	11,000	10,751	(249)
Grants	11,000	11,000	10,552	(448)
Interest income	16,000	16,000	22,608	6,608
Income /reimbursements	5,000	5,000	5,761	761
Miscellaneous			71	
Total Revenues	<u>\$ 803,000</u>	<u>\$ 803,000</u>	<u>\$ 839,420</u>	<u>\$ 36,349</u>
Cash balance budgeted	<u>\$ 304,995</u>	<u>\$ 304,995</u>		
Total revenues and cash balance budgeted	<u><u>\$ 1,107,995</u></u>	<u><u>\$ 1,107,995</u></u>		
Expenditures				
Current				
Acequia project	219,925	219,925	121,994	97,931
Acequia GIS	20,000	20,000	-	20,000
Administration	36,000	32,200	31,560	640
Animal damage	40,000	42,000	39,884	2,116
Bonding and insurance	21,000	19,500	14,867	4,633
Contract labor	102,570	102,570	68,391	34,179
Education and outreach	15,000	15,000	8,223	6,777
Fire prevention	20,000	20,000	11,110	8,890
Grant projects	11,000	10,500	10,448	52
Water programs	5,000	2,500	257	2,243
Invasive species	5,000	10,300	10,271	29
Personnel services	158,000	159,500	158,195	1,305
Range improvements	27,500	27,500	14,500	13,000
Special projects	4,500	4,500	3,835	-
Streambank protection	136,000	136,000	69,732	66,268
Supplies	12,000	12,000	11,112	888
Training	5,000	5,000	4,092	908
Travel and per diem	22,000	22,000	19,875	2,125
Utilities	10,000	10,000	8,001	1,999
Office and field equipment	26,500	26,500	8,515	17,985
Other	1,000	500	297	203
Land and building	210,000	210,000	-	210,000
Total Expenditures	<u><u>\$ 1,107,995</u></u>	<u><u>\$ 1,107,995</u></u>	<u><u>\$ 615,159</u></u>	<u><u>492,171</u></u>

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

Notes to Financial Statements

State of New Mexico
Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2009

(1) Summary of Significant Accounting Policies

A. Financial 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 NMSA1978). 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 of 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 organization comprising its legal entity. Although the District is organized as a subdivision of the State and administrative 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, or 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, 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 fiduciary or business-type activities.

State of New Mexico
Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2009

(1) Summary of Significant Accounting Policies (continued)

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 revenue.

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

The District reports the following major governmental funds.

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

State of New Mexico
Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2009

(1) Summary of Significant Accounting Policies (continued)

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 equivalents

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 \$18,724 for property taxes receivable. They are considered 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.

3. Inventory

The District maintains an inventory of pipe and certain other items for resale. The value of the inventory at June 30, 2009 is \$5,462. All inventories are valued at cost using the first in/first out method. Inventories are recorded as expenditures when consumed rather than when purchased

State of New Mexico
Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2009

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 per Section 12-6-10 NMSA 1978 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 items 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 \$3,441 for accrued payroll and \$10,009 for accounts 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. 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.

State of New Mexico
Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2009

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 assets 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.

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 \$5,462 reserved for inventory. The District also currently has an unreserved fund balance, designated for subsequent year's expenditures of \$211,800 to balance the FY 10 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, 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 Financial Statements
June 30, 2009**

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

	<u>General Fund</u>
Non-GAAP revenues (Exhibit 7)	\$ 839,420
Prior year receivables	(23,819)
Current year receivables	<u>18,724</u>
GAAP revenues (Exhibit 5)	<u>\$834,325</u>
Non-GAPP expenditures (Exhibit 7)	\$ 615,159
Prior year payables	(19,147)
Current year payables	13,450
Prior year inventory	1,996
Current year inventory	<u>(5,462)</u>
GAAP expenditures (Exhibit 5)	<u>\$605,996</u>

III Detailed Notes on all Funds

A. Cash and cash equivalents

As of June 30, 2009, the District had a carrying amount of deposits of \$1,170,990. The bank balances for deposits were \$1,180,438. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$9,448. The total bank balance consisted of the following:

First Community Bank	
Demand deposits	252,771
Certificate of deposit	304,648
Less FDIC coverage	<u>250,000</u>
Amount uninsured	<u>\$307,419</u>
50% collateral requirement	153,710
Pledged securities at fair market value	<u>349,692</u>
Over (Under) Collateralized	<u>\$ 195,982</u>

The following securities are pledged as collateral for deposits with First Community Bank held in the name of the District at the Federal Home Loan Bank of Dallas: Federal Home Loan Bank CUSIP #36241KWU, 6.0% rate and maturity date of 11/23/15 par value of \$206,868, market value of \$221,088 and CUSIP# 31396CHY9, 7.00 rate and maturity date of 8/23/15 par value of \$121,191, market value of \$128,604.

State of New Mexico
Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2009

Centinel Bank	
Certificate of deposit	\$ 103,009
Less FDIC coverage	<u>250,000</u>
Amount uninsured	<u>\$ -0-</u>
People Bank	
Money Market Deposit Account	\$ 264,365
Government Obligation Money Market Fund	153,791 *
Certificates of deposit	100,000 *
Less FDIC coverage	<u>250,000</u>
Amount uninsured	<u>\$ -0-</u>

* The \$264,365 is a government obligation money market fund that is issued by the U.S. government or direct obligations of the U.S. government. The \$100,000 consists of a certificate of deposit of \$100,000 which is invested at a different bank and fully insured.

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, 2009, none of the District's cash balance of \$1,180,438 was exposed to custodial credit risk since all deposits were either insured by the FDIC or the U.S. government or collateralized by securities.

State of New Mexico
Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2009

B. Capital Assets

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

<u>Governmental Activities</u>	Balance <u>6/30/07</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/08</u>
<u>Cost</u>				
Buildings	\$13,742	\$ -	\$ -	\$13,742
Vehicles	66,883	-	-	66,883
Software	4,104	-	-	4,104
Computer equipment	<u>81,550</u>	<u>7,864</u>	<u>-</u>	<u>89,414</u>
Total at historical cost	166,279	7,864	-	174,143
 Accumulated depreciation				
Building	(4,583)	(687)	-	(5,270)
Vehicles	(49,763)	(3,735)	-	(53,498)
Software	(3,707)	(122)	-	(3,829)
Computer equipment	<u>(55,288)</u>	<u>(11,227)</u>	<u>-</u>	<u>(66,515)</u>
Total accumulated depreciation	<u>(113,341)</u>	<u>(15,771)</u>	<u>-</u>	<u>(129,112)</u>
Net capital assets	<u>\$ 52,938</u>	<u>\$(7,907)</u>	<u>\$ -</u>	<u>\$ 45,031</u>

Current year depreciation expense is \$15,771 charged to conservation function.

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 Financial Statements
June 30, 2009**

D. Long-Term Debt

Changes in long term debt liabilities
Long term debt activity for the year ended June 30, 2009 was as follows:

	Balance 6/30/08	Increase	Decrease	Balance 6/30/09	Amount due within1 year
Compensated absences	<u>\$ 4,952</u>	<u>\$7,693</u>	<u>\$10,117</u>	<u>\$2,528</u>	<u>\$2,528</u>
Totals	<u>\$ 4,952</u>	<u>\$7,693</u>	<u>\$10,117</u>	<u>\$2,528</u>	<u>\$2,528</u>

The District's general fund is used to pay compensated absences.

E. Use of Estimates

Management uses estimate and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Accordingly, actual results could differ from those estimates.

State of New Mexico
Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2009

F. Pension Plan – Public Employees Retirement Association

Plan Description. Substantially all of the Taos Soil and Water Conservation District’s full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, 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, NM 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 7 % of their gross salary. The Taos Soil and Water Conservation District is required to contribute 7 % of the gross covered salary. The contribution requirements of plan members and the Taos Soil and Water Conservation District are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Taos Soil and Water Conservation District’s contributions to PERA for the fiscal years ending June 30, 2009, 2008 and 2007 were \$9,233, \$8,238, and \$8,000, respectively, which equal the amount of the required contributions for each fiscal year.

G. Risk Management

The Taos Soil and Water Conservation District is exposed to various risks of loss. The District carries insurance with the various insurance companies. Coverage is provided for General Liability, Surety Bond, Property and Workers Compensation.

H. Joint Powers Agreement- Comanche Creek Watershed Restoration Project

A joint powers agreement was established between the New Mexico Environment Department and the District for the purpose to restore habitat for the Rio Grande Cutthroat Trout in Comanche Creek, Taos County. The terms of the agreement are as follows: The beginning of the agreement is July 28, 2004 and has been extended through December 31, 2008. The participants are the New Mexico Environment Department and the District. The responsible party for the operations is the District. The total estimated amount of the project is \$143,510. The amount expended to date is \$143,496. The fiscal agent is the District. The New Mexico Environment Department is the government agency where revenues and expenditures are reported.

JOSEPH M. SALAZAR
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**Report on Internal Control Over Financial Reporting
and on Compliance And Other Matters Based on an
Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico
and

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

We have audited the financial statements of the governmental activities, major fund, and the respective budgetary comparison for the general fund of the State of New Mexico, Taos Soil and Water Conservation District (District) as of and for the year ended June 30, 2009 which collectively comprise the District's basic financial statements and have issued our report thereon dated November 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 my auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies 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

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 instances 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 2008 Revision paragraph 5.14 and 5.16 Section 12-6-5 NMSA 1978 which are described in the accompanying schedule of audit finding and responses as item 07-02.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and the use of the District's management, others within the District, the State Auditor, Department of Finance and Administration and the New Mexico Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Joseph M. Salazar, CPA
November 12, 2009

State of New Mexico
Taos Soil and Water Conservation District
Schedule of Audit Findings and Responses
June 30, 2009

7-02 Capital Asset Disposition

Condition

The District has capital asset items that are obsolete, worn out or unusable.

Criteria

Good accounting practice requires that capital assets that are obsolete, worn out or unusable be disposed of properly in accordance to Section 13-6-1 and 13-6-2 New Mexico Statutes Annotated 1978 Compilation and the State Procurement Code. Also, the assets of the District are overstated by capital assets that are obsolete or unusable.

Effect

The District's financial statements are overstated with obsolete capital assets that are not used in the operations of the board.

Cause

The District has not taken the time to properly dispose of such capital assets.

Recommendation

Recommend that the District dispose of obsolete, worn out or unusable capital assets in accordance with state statute.

District's Response

Taos Soil & Water Conservation District will in the future dispose of any and all obsolete, worn-out or unusable capital assets in accordance with Section 13-6-1 and 13-6-2 New Mexico Statutes Annotated 1978 Compilation and the State Procurement Code. This will be accomplished every year by reviewing the capital asset inventory and appropriately disposing of these items before June 30 of each fiscal year.

**State of New Mexico
Taos Soil and Water Conservation District
Prior Year Audit Findings
June 30, 2009**

<u>Condition</u>	<u>Current year status</u>
07-1 Late Audit Report	Resolved
07-2 Capital Asset Disposition	Repeated

Financial Statement Preparation

The financial statements and notes to the financial statements were prepared by the independent certified public accountant performing the audit. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that the records are current and in balance. Management has the knowledge and experience to prepare, review and approve financial statements. Management has reviewed and approved the financial statements, notes to the financial statements.

**State of New Mexico
Taos Soil and Water Conservation District
Exit Conference
June 30, 2009**

The contents of this report were discussed at an exit conference on November 12, 2009. Those attending were as follows:

Maureen Johnson, District Chairwoman

Edward Grant, District Secretary/Treasurer

Peter Vigil, District Manager

Independent Auditor

Joseph M. Salazar CPA