

**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, 2010

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

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June 30, 2010

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

Official Roster

June 30, 2010

Board of Supervisors

Maureen Johnson

Felix Santistevan

Edward Grant

Anthony Benson

Antonio Romero

Mark Schuetz

Stephen Trujillo

District Personal

Peter Vigil

Charlotte Martinez

Matthew Valerio

Position

Chairperson

Vice-Chairperson

Secretary/Treasurer

Supervisor

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, 2010 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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, 2010 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 April 19, 2011 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
April 19, 2011

Basic Financial Statements

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET ASSETS
June 30,2010**

Exhibit 1

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,449,516
Cash on deposit with New Mexico Finance Authority	36,940
Property taxes receivable	11,850
Inventory	6,952
Total current assets	<u>1,505,258</u>
Non Current Assets	
Capital assets	476,161
less accumulated depreciation	<u>(107,067)</u>
Total capital assets net of depreciation	<u>369,094</u>
Total assets	<u><u>\$ 1,874,352</u></u>
LIABILITIES	
Liabilities	
Account payable	\$ 10,232
Accrued payroll	5,075
Compensated absences-current	4,886
Mortgage loan payable-current	34,959
Total current liabilities	<u>55,152</u>
Long term liabilities	
Mortgage loan payable	293,924
Total long term liabilities	<u>293,924</u>
Total liabilities	<u>349,076</u>
NET ASSETS	
Invested in capital assets-net of related deb	369,094
Restricted for mortgage loan payment:	36,940
Unrestricted	<u>1,119,242</u>
Total net assets	<u>1,525,276</u>
Total liabilities and net assets	<u><u>\$ 1,874,352</u></u>

The accompanying notes are an integral part of the financial statement:

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010**

Exhibit 2

Program Expenses	Governmental Activities
Conservation:	
Current	
Acequia project	\$ 120,953
Administration	72,829
Animal damage	40,677
Bonding and insurance	14,519
Contract labor	91,501
Education and outreach	20,275
Fire prevention	3,540
Interest payments on loan	5,011
Invasive species	4,663
Personnel services	172,500
Range improvements	10,455
Special projects	2,920
Streambank protection	2,154
Supplies	8,396
Training	1,481
Travel and per diem	24,024
Utilities	8,910
Office and field equipmen	4,531
Water program	4,116
Miscellaneous	93
Depreciation	15,558
Total expenses	<u>629,106</u>
Program Revenues	
Charges for services	<u>13,811</u>
Total program revenue	<u>13,811</u>
Net program (expenses)revenue:	<u>(615,295)</u>
General revenues	
NMDA allotment	9,057
Property taxes	885,518
Interest	<u>21,767</u>
Total general revenues	<u>916,342</u>
Change in net assets	<u>301,047</u>
Net Assets-Beginning of Year	1,224,229
Net Assets-End of Year	<u><u>\$ 1,525,276</u></u>

The accompanying notes are an integral part of the financial statement:

STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30,2010

Exhibit 3

ASSETS	General Fund	Debt Service Fund	Total Governmental Funds
Cash and cash equivalents	\$ 1,449,516	\$ -	\$ 1,449,516
Cash on deposit with New Mexico Finance Authority	-	36,940	36,940
Property taxes receivable	11,850	-	11,850
Inventory	6,952	-	6,952
Total Assets	<u>\$ 1,468,318</u>	<u>\$ 36,940</u>	<u>\$ 1,505,258</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Account payable	\$ 10,232	-	\$ 10,232
Accrued payroll	5,075	-	5,075
Total Current Liabilities	<u>15,307</u>	<u>-</u>	<u>15,307</u>
Fund balance			
Nonspendable- inventory	6,952	-	6,952
Restricted for mortgage loan payments		36,940	36,940
Assigned for conservation project	465,600	-	465,600
Assigned for subsequent year's expenditures	536,600	-	536,600
Unassigned	443,859	-	443,859
Total fund balance	<u>1,453,011</u>	<u>36,940</u>	<u>1,489,951</u>
Total Liabilities and Fund Balance:	<u>\$ 1,468,318</u>	<u>\$ 36,940</u>	<u>\$ 1,505,258</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, 2010

Total fund balances for governmental funds		\$ 1,489,951
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	476,161	
Accumulated depreciation	<u>(107,067)</u>	
Total capital assets		\$ 369,094
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Mortgage loan payable	\$328,883	
Compensated absences	<u>4,886</u>	
Total liabilities		(333,769)
Net Assets of Governmental Activities		<u>\$1,525,276</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, 2010

Exhibit 5

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
State allocation	9,057	-	9,057
Property taxes	885,518	-	885,518
Interest income	21,767	-	21,767
Reimbursements	13,811	-	13,811
Total Revenues	930,153	-	930,153
EXPENDITURES			
Conservation:			
Current			
Acequia project	120,953	-	120,953
Administration	72,829	-	72,829
Animal damage	40,677	-	40,677
Bonding and insurance	14,519	-	14,519
Contract labor	91,501	-	91,501
Education and outreach	20,275	-	20,275
Fire prevention	3,540	-	3,540
Interest on loan payment	3,128	-	3,128
Invasive species	4,663	-	4,663
Personnel services	170,142	-	170,142
Range improvements	10,455	-	10,455
Streambank protection	2,154	-	2,154
Special projects	2,920	-	2,920
Supplies	8,396	-	8,396
Training	1,481	-	1,481
Travel and per diem	24,024	-	24,024
Utilities	8,910	-	8,910
Office and field equipment	4,531	-	4,531
Water programs	4,116	-	4,116
Miscellaneous	93	-	93
Capital outlay			
Land purchase	339,621	-	339,621
Total expenditures	948,928	-	948,928
Excess(deficiency) of revenue over expenditures	(18,775)	-	(18,775)
OTHER FINANCING SOURCES (USES)			
Transfers out			
Transfer to debt service fund	(36,940)	36,940	-
transfers in			
Mortgage loan proceeds	327,000	-	327,000
Total other Financing Sources (Uses)	290,060	36,940	327,000
Net Changes in Fund Balances	271,285	36,940	308,225
Fund Balances-Beginning of Year	1,181,726	-	1,181,726
Fund Balance-End of Year	\$ 1,453,011	\$ 36,940	\$ 1,489,951

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, 2010

Net change in fund balance – total governmental funds		\$ 308,225
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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:</p>		
Capital outlay	339,621	
Depreciation expense	<u>(15,558)</u>	
Excess of capital outlay over depreciation expense		324,063
<p>Expenses recognized in the Statement of Activities.</p>		
Not reported in governmental funds- increase in compensated absences	(2,358)	
Not reported in governmental funds –increase in mortgage loan	<u>(328,883)</u>	
		<u>(331,241)</u>
Changes in Net Assets of Governmental Activities		<u>\$301,047</u>

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, 2010

	GENERAL FUND			
	Budget Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Property taxes	\$ 795,000	\$ 795,000	\$ 892,392	97,392
State funds-loan funds	327,500	327,500	327,000	(500)
State allocation	10,000	10,000	9,057	(943)
Interest income	23,000	23,000	21,767	(1,233)
Income /reimbursements	5,500	5,500	13,811	8,311
Total Revenues	\$ 1,161,000	\$ 1,161,000	\$ 1,264,027	\$ 103,027
Cash balance budgeted	\$ 134,800	\$ 134,800		
Total revenues and cash balance budgeted	\$ 1,295,800	\$ 1,295,800		
Expenditures				
Current				
Acequia project	269,900	269,900	122,425	147,475
Acequia GIS	18,000	18,000	-	18,000
Administration	53,500	62,100	70,777	(8,677)
Animal damage	40,000	43,500	41,683	1,817
Bonding and insurance	16,200	15,100	14,585	515
Contract labor	101,000	96,000	93,575	2,425
Education and outreach	11,500	21,000	19,876	1,124
Fire prevention	29,300	29,300	3,540	25,760
Interest on loan payment	-	-	3,128	(3,128)
Water programs	3,000	4,500	2,593	1,907
Invasive species	9,000	6,500	4,534	1,966
Personnel services	161,100	168,600	169,172	(572)
Range improvements	24,600	24,600	10,455	14,145
Special projects	6,000	6,000	2,920	3,080
Streambank protection	101,800	101,800	2,154	99,646
Supplies	11,000	10,000	7,846	2,154
Training	4,000	1,750	1,481	269
Travel and per diem	20,000	22,000	25,136	(3,136)
Utilities	8,000	9,600	8,436	1,164
Office and field equipmen	27,400	5,050	4,531	519
Other	500	500	93	407
Land and building	380,000	380,000	339,621	40,379
Total Expenditures	\$ 1,295,800	\$ 1,295,800	\$ 948,561	347,239

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, 2010

(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, 2010

(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, 2010

(1) Summary of Significant Accounting Policies (continued)

Debt service fund was established to account for the proceeds in the amount of \$36,940 which is 10% of the loan agreement amount held by the New Mexico Finance Authority in the District's loan agreement reserve account held by the Trustee under the indenture. Amounts held in the District's loan agreement reserve account may be applied to prevent deficiencies in the payment of principal and interest on the loan agreement resulting from a failure by the District to deposit with the New Mexico Finance Authority sufficient funds to pay debt service on the loan agreement.

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 \$11,850 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, 2010 is \$6,952. 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, 2010

4. Capital Assets

Capital assets, which include property and equipment (including software) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by 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 \$5,075 for accrued payroll and \$10,232 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, 2010

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 resources utilization in a future period. The District currently has \$6,952 as nonexpendable for inventory. The District also currently has an assigned fund balance for conservation projects, and assigned for subsequent year's expenditures of \$536,600 to balance the FY 11 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, 2010**

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

	<u>General Fund</u>
Non-GAAP revenues (Exhibit 7)	\$1,264,027
Loan proceeds	327,000
Prior year receivables	(18,724)
Current year receivables	<u>11,850</u>
GAAP revenues (Exhibit 5)	<u>\$930,153</u>
Non-GAPP expenditures (Exhibit 7)	\$948,561
Prior year payables	(13,450)
Current year payables	15,307
Prior year inventory	5,462
Current year inventory	<u>(6,952)</u>
GAAP expenditures (Exhibit 5)	<u>\$948,928</u>

III Detailed Notes on all Funds

A. Cash and cash equivalents

As of June 30, 2010, the District had a carrying amount of deposits of \$1,449,516. The bank balances for deposits were \$1,461,674. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$12,158. The total bank balance consisted of the following:

First Community Bank	
Demand deposits	\$201,130
Certificate of deposit	<u>209,760</u>
Total	<u>\$411,954</u>
FDIC coverage	<u>\$411,954</u>

The District accounts were fully insured under the FDIC transaction guarantee program.

State of New Mexico
Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2010

People Bank	
Demand deposit Accounts	<u>\$1,050,784</u>
FDIC coverage	<u>\$1,050,784</u>

The District accounts with people bank were fully insured under the FDIC transaction guarantee program.

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, 2010, none of the District's cash balance of \$1,449,516 was exposed to custodial credit risk since all deposits were insured by the FDIC.

State of New Mexico
Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2010

B. Capital Assets

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

<u>Governmental Activities</u>	Balance <u>6/30/09</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/10</u>
<u>Cost</u>				
Land	-	339,621	-	339,621
Buildings	\$13,742	-	-	13,742
Vehicles	66,883	-	19,660	47,223
Software	4,104	-	-	4,104
Computer equipment	<u>89,414</u>	<u>-</u>	<u>17,943</u>	<u>71,471</u>
Total at historical cost	<u>174,143</u>	<u>339,621</u>	<u>37,603</u>	<u>476,161</u>
 Accumulated depreciation				
Building	(5,270)	(687)	-	(5,957)
Vehicles	(53,498)	(3,735)	19,660	(37,573)
Software	(3,829)	(122)	-	(3,951)
Computer equipment	<u>(55,288)</u>	<u>(11,014)</u>	<u>17,943</u>	<u>(59,586)</u>
Total accumulated depreciation	<u>(129,112)</u>	<u>(15,558)</u>	<u>37,603</u>	<u>(107,067)</u>
Net capital assets	<u>\$ 45,031</u>	<u>\$324,063</u>	<u>\$ -</u>	<u>\$369,094</u>

Current year depreciation expense is \$15,558 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, 2010**

D. Long-Term Debt

Changes in long term debt liabilities

Long term debt activity for the year ended June 30, 2010 was as follows:

	Balance 6/30/09	Increase	Decrease	Balance 6/30/10	Amount due within1 year
Mortgage Loan	-	\$328,883	-	\$328,883	34,959
Compensated absences	<u>2,528</u>	<u>8,375</u>	<u>6,017</u>	<u>4,886</u>	<u>4,886</u>
Totals	<u>\$ 2,528</u>	<u>\$337,258</u>	<u>\$6,017</u>	<u>\$333,769</u>	<u>\$39,845</u>

The District's general fund is used to pay compensated absences and the mortgage loan.

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, 2010

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, 2010, 2009 and 2008 were \$9,736, \$9,233, and \$8,238, 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.

**State of New Mexico
Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2010**

H. Mortgage Loan

In March of 2010, the District purchased approximately three acres of land. The District entered into a loan agreement the New Mexico Finance Authority for \$369,399. The mortgage is for ten years maturing on April 2019. The interest rate is 2.358%. As of June 30, 2010 the balance on the mortgage loan was \$328,883. The annual debt service requirements for the mortgage loan at June 30, 2010 are as follows:

Year Ended	Principal	Interest	Total
2011	\$34,959	\$6,899	\$41,858
2012	35,292	6,566	41,858
2013	35,716	6,142	41,858
2014	36,236	5,622	41,858
2015	36,890	4,968	41,858
Thereafter	<u>149,790</u>	<u>10,655</u>	<u>160,445</u>
Total	<u>\$328,883</u>	<u>\$40,862</u>	<u>\$369,745</u>

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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, 2010 which collectively comprise the District's basic financial statements and have issued our report thereon dated April 19, 2011. 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of control deficiencies, in internal control such that there us a reasonable possibility that material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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 be designed to identify all deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the District's 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 10-01.

The District's responses to the finding 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
April 19 2011

**State of New Mexico
Taos Soil and Water Conservation District
Schedule of Audit Findings and Responses
June 30, 2010**

10-1 Late Audit Report

Condition

The annual audited financial report for the fiscal year 2010 was not submitted to the State Auditor's Office by the December 15, 2010 deadline. The report was submitted and received by the State Auditor's Office on April 25, 2011.

Criteria

New Mexico State Auditor Rule Section 2.2.2.9 and audit contract require that the Council's audit report be submitted to the State Auditor's Office no later than December 15, 2010.

Effect

The lateness of the audit report creates a decrease in relevance and usefulness of financial information and noncompliance with State Auditor's Office audit requirements.

Cause

The District did not submit the required information to the State Auditor's Office on a timely basis. The audit contract was approved after the due date.

Recommendation

Recommend that the District comply with the State Auditor Rule requirement and audit contract of completing and submitting the audit report by the due date.

District's Response

The District submitted the initial cover letter request on September 1, 2010. On November 5, we submitted a letter describing how the requested auditor was selected. On November 10, 2010, we received an approval letter and contract. It was then determined that our office needed to resubmit the request again because we had submitted the wrong form. We complied on November 10, 2010. We then received our new agreement and contract on December 16, 2010 which was then forwarded to the contractor. We then received our fully executed contract on January 6, 2011. As you can see, there were a few glitches in the process on our side, and we will correct this process in the future now that we have completed the process for the first time and we now know what is expected of our agency.

**State of New Mexico
Taos Soil and Water Conservation District
Prior Year Audit Findings
June 30, 2010**

Condition

Current year status

07-2 Capital Asset Disposition

Resolved

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, 2010**

The contents of this report were discussed at an exit conference on April 12 2011. Those attending were as follows:

Maureen Johnson, District Chairwoman

Edward Grant, District Secretary/Treasurer

Peter Vigil, District Manager

Independent Auditor

Joseph M. Salazar CPA