

**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, 2011

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

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June 30, 2011

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

Official Roster

June 30, 2011

Board of Supervisors

Maureen Johnson

Stephen Trujillo

Edward Grant

Anthony Benson

Antonio Romero

Felix Santistevan

Mark Schuetz

Position

Chairperson

Vice-Chairperson

Secretary/Treasurer

Supervisor

Supervisor

Supervisor

Supervisor

District Personal

Peter Vigil

Charlotte Martinez

Matthew Valerio

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, 2011 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, 2011 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 December 09, 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
December 09, 2011

Basic Financial Statements

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET ASSETS
June 30,2011**

Exhibit 1

| ASSETS | Governmental Activities |
|---|------------------------------------|
| Cash and cash equivalents | \$ 1,576,619 |
| Cash on deposit with New Mexico Finance Authority | 36,945 |
| Property taxes receivable | 27,267 |
| Inventory | 6,243 |
| Total current assets | <u>1,647,074</u> |
| Non Current Assets | |
| Capital assets | 476,161 |
| less accumulated depreciation | (119,312) |
| Total capital assets net of depreciation | <u>356,849</u> |
| Total assets | <u><u>\$ 2,003,923</u></u> |
| LIABILITIES | |
| Liabilities | |
| Account payable | \$ 9,765 |
| Accrued payroll | 6,492 |
| Compensated absences-current | 5,536 |
| Mortgage loan payable-current | 35,292 |
| Total current liabilities | <u>57,085</u> |
| Long term liabilities | |
| Mortgage loan payable | 258,632 |
| Total long term liabilities | <u>258,632</u> |
| Total liabilities | <u>315,717</u> |
| NET ASSETS | |
| Invested in capital assets-net of related deb | 356,849 |
| Restricted for mortgage loan payment: | 36,945 |
| Unrestricted | 1,294,412 |
| Total net assets | <u>1,688,206</u> |
| Total liabilities and net assets | <u><u>\$ 2,003,923</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, 2011**

Exhibit 2

| Program Expenses | Governmental Activities |
|--------------------------------|------------------------------------|
| Conservation: | |
| Current | |
| Acequia project-GIS | \$ 16,020 |
| Acequia project | 124,343 |
| Administration | 48,803 |
| Animal damage | 42,759 |
| Bonding and insurance | 14,772 |
| Contract labor | 167,691 |
| Education and outreach | 12,920 |
| Fire prevention | 39,631 |
| Interest payments on loan | 10,387 |
| Invasive species | 6,193 |
| Personnel services | 175,057 |
| Range improvements | 15,750 |
| Special projects | 7,649 |
| Streambank protection | 46,001 |
| Supplies | 8,880 |
| Training | 5,036 |
| Travel and per diem | 27,222 |
| Utilities | 7,844 |
| Office and field equipment | 6,624 |
| Water program | 168 |
| Miscellaneous | 212 |
| Depreciation | 12,245 |
| Total expenses | <u>796,207</u> |
| | |
| Program Revenues | |
| Charges for services | <u>6,745</u> |
| Total program revenue | <u>6,745</u> |
| | |
| Net program (expenses)revenue: | <u>(789,462)</u> |
| General revenues | |
| NMDA allotment | 8,797 |
| Property taxes | 923,821 |
| Interest | <u>19,774</u> |
| Total general revenues: | <u>952,392</u> |
| | |
| Change in net assets | <u>162,930</u> |
| | |
| Net Assets-Beginning of Year | 1,525,276 |
| | |
| Net Assets-End of Year | <u><u>\$ 1,688,206</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 30,2011

Exhibit 3

| ASSETS | General Fund | Debt Service Fund | Total Governmental Funds |
|---|-------------------------|----------------------------------|---|
| Cash and cash equivalents | \$ 1,576,619 | \$ - | \$ 1,576,619 |
| Cash on deposit with New Mexico Finance Authority | - | 36,945 | 36,945 |
| Property taxes receivable | 27,267 | - | 27,267 |
| Inventory | 6,243 | - | 6,243 |
| Total Assets | <u>\$ 1,610,129</u> | <u>\$ 36,945</u> | <u>\$ 1,647,074</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Account payable | \$ 9,765 | - | \$ 9,765 |
| Accrued payroll | 6,492 | - | 6,492 |
| Total Current Liabilities | <u>16,257</u> | <u>-</u> | <u>16,257</u> |
| Fund balance | | | |
| Nonspendable- inventory | 6,243 | - | 6,243 |
| Restricted for mortgage loan payments | - | 36,945 | 36,945 |
| Assigned for conservation project | 769,559 | - | 769,559 |
| Assigned for subsequent year's expenditures | 357,500 | - | 357,500 |
| Unassigned | 460,570 | - | 460,570 |
| Total fund balance | <u>1,593,872</u> | <u>36,945</u> | <u>1,630,817</u> |
| Total Liabilities and Fund Balance: | <u>\$ 1,610,129</u> | <u>\$ 36,945</u> | <u>\$ 1,647,074</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, 2011

| | | |
|--|------------------|--------------------|
| Total fund balances for governmental funds | | \$ 1,630,817 |
| 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>(119,312)</u> | |
| Total capital assets | | 356,849 |
| 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 | 293,924 | |
| Compensated absences | <u>5,536</u> | |
| Total liabilities | | (299,460) |
| Net Assets of Governmental Activities | | <u>\$1,688,206</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, 2011

Exhibit 5

| | General Fund | Debt Service Fund | Total Governmental Funds |
|---|-------------------------|----------------------------------|---|
| REVENUES | | | |
| State allocation | \$ 8,797 | \$ - | \$ 8,797 |
| Property taxes | 923,821 | - | 923,821 |
| Interest income | 19,769 | 5 | 19,774 |
| Reimbursements | 6,745 | - | 6,745 |
| Total Revenues | 959,132 | 5 | 959,137 |
| EXPENDITURES | | | |
| Conservation: | | | |
| Current | | | |
| Acequia project-GIS | 16,020 | - | 16,020 |
| Acequia project | 124,343 | - | 124,343 |
| Administration | 48,803 | - | 48,803 |
| Animal damage | 42,759 | - | 42,759 |
| Bonding and insurance | 14,772 | - | 14,772 |
| Contract labor | 167,691 | - | 167,691 |
| Education and outreach | 12,920 | - | 12,920 |
| Fire prevention | 39,631 | - | 39,631 |
| Interest on loan payment | 45,346 | - | 45,346 |
| Invasive species | 6,193 | - | 6,193 |
| Personnel services | 174,407 | - | 174,407 |
| Range improvements | 15,750 | - | 15,750 |
| Streambank protection | 46,001 | - | 46,001 |
| Special projects | 7,649 | - | 7,649 |
| Supplies | 8,880 | - | 8,880 |
| Training | 5,036 | - | 5,036 |
| Travel and per diem | 27,222 | - | 27,222 |
| Utilities | 7,844 | - | 7,844 |
| Office and field equipment | 6,624 | - | 6,624 |
| Water programs | 168 | - | 168 |
| Other | 212 | - | 212 |
| Total expenditures | 818,271 | - | 818,271 |
| Excess(deficiency) of revenue over expenditures | 140,861 | 5 | 140,866 |
| Net Changes in Fund Balances | 140,861 | 5 | 140,866 |
| Fund Balances-Beginning of Year | 1,453,011 | 36,940 | 1,489,951 |
| Fund Balance-End of Year | \$ 1,593,872 | \$ 36,945 | \$ 1,630,817 |

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, 2011

| | | |
|---|-----------------|------------------|
| Net change in fund balance – total governmental funds | | \$ 140,866 |
| <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 | - | |
| Depreciation expense | <u>(12,245)</u> | |
| Excess of capital outlay over depreciation expense | | (12,245) |
| <p>Expenses recognized in the Statement of Activities.</p> | | |
| Not reported in governmental funds- increase in compensated absences | (650) | |
| Not reported in governmental funds –decrease in mortgage loan | 34,959 | |
| | | <u>34,309</u> |
| Changes in Net Assets of Governmental Activities | | <u>\$162,930</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, 2011

| | GENERAL FUND | | | |
|--|---------------------|---------------------|-------------------|---------------------|
| | 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 | \$ 908,404 | 148,404 |
| State allocation | 10,000 | 10,000 | 8,797 | (1,203) |
| Interest income | 23,000 | 23,000 | 19,769 | (3,231) |
| Income /reimbursements | 15,000 | 15,000 | 6,745 | (8,255) |
| Total Revenues | <u>808,000</u> | <u>808,000</u> | <u>\$ 943,715</u> | <u>\$ 135,715</u> |
| Cash balance budgeted | <u>536,600</u> | <u>536,600</u> | | |
| Total revenues and cash balance budgeted | <u>\$ 1,344,600</u> | <u>\$ 1,344,600</u> | | |
| Expenditures | | | | |
| Current | | | | |
| Acequia project | \$ 307,000 | \$ 296,200 | \$ 124,258 | \$ 171,942 |
| Acequia GIS | 35,000 | 20,500 | 16,020 | 4,480 |
| Administration | 53,000 | 53,000 | 43,126 | 9,874 |
| Animal damage | 43,000 | 43,500 | 42,759 | 741 |
| Bonding and insurance | 19,000 | 19,000 | 14,706 | 4,294 |
| Contract labor | 194,000 | 194,000 | 169,738 | 24,262 |
| Education and outreach | 20,000 | 20,000 | 13,319 | 6,681 |
| Fire prevention | 25,800 | 43,100 | 39,631 | 3,469 |
| Loan payment | - | - | 45,346 | (45,346) |
| Water programs | 4,000 | 4,000 | 1,691 | 2,309 |
| Invasive species | 8,000 | 8,000 | 6,322 | 1,678 |
| Personnel services | 172,000 | 173,500 | 172,990 | 510 |
| Range improvements | 18,000 | 18,000 | 15,750 | 2,250 |
| Special projects | 10,700 | 10,700 | 7,649 | 3,051 |
| Streambank protection | 76,800 | 76,800 | 46,001 | 30,799 |
| Supplies | 8,500 | 10,500 | 9,740 | 760 |
| Training | 5,000 | 5,500 | 5,036 | 464 |
| Travel and per diem | 25,000 | 28,500 | 27,534 | 966 |
| Utilities | 9,000 | 9,000 | 8,160 | 840 |
| Office and field equipmen | 35,000 | 35,000 | 6,624 | 28,376 |
| Other | 500 | 500 | 212 | 288 |
| Land and building | 275,300 | 275,300 | - | 275,300 |
| Total Expenditures | <u>\$ 1,344,600</u> | <u>\$ 1,344,600</u> | <u>\$ 816,612</u> | <u>\$527,988</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, 2011

(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, 2011

(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, 2011

(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 and a money market account.

2. Receivables

Receivables consist of \$27,267 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, 2011 is \$6,243. 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, 2011

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 \$6,492 for accrued payroll and \$9,765 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, 2011

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 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 \$6,243 as nonexpendable for inventory. The District also currently has an assigned fund balance for conservation projects of 769,559, and assigned for subsequent year's expenditures of \$357,500 to balance the FY 12 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, 2011**

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

| | <u>General Fund</u> |
|-----------------------------------|-------------------------|
| Non-GAAP revenues (Exhibit 7) | \$ 943,715 |
| Prior year receivables | (11,850) |
| Current year receivables | <u>27,267</u> |
| GAAP revenues (Exhibit 5) | <u>\$959,132</u> |
| | |
| Non-GAPP expenditures (Exhibit 7) | \$816,612 |
| Prior year payables | (15,307) |
| Current year payables | 16,257 |
| Prior year inventory | 6,952 |
| Current year inventory | <u>(6,243)</u> |
| GAAP expenditures (Exhibit 5) | <u>\$818,271</u> |

III Detailed Notes on all Funds

A. Cash and cash equivalents

As of June 30, 2011, the District had a carrying amount of deposits of \$1,576,619. The bank balances for deposits were \$1,611,312. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$34,693. The total bank balance consisted of the following:

| | |
|----------------------|------------------|
| First Community Bank | |
| Demand deposits | <u>\$ 89,357</u> |
| | |
| FDIC coverage | <u>\$ 89,357</u> |

The District accounts with Community Bank were fully insured under the FDIC.

State of New Mexico Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2011

| | |
|---|-------------------|
| People Bank | |
| Demand deposit accounts | \$1,521,955 |
| FDIC coverage | <u>250,000</u> |
| Amount uninsured | 1,271,955 |
| 50% collateral requirement | 635,978 |
| Pledged securities at fair market value | <u>933,840</u> |
| Over (Under) Collateralized | <u>\$ 297,862</u> |

The following security was pledged as collateral for deposits with Peoples Bank held in the name of Peoples Bank with United Missouri Bank CUSIP# 31394BAT1, 4.5 % rate and maturity date of 5/25/19 par value of \$887,529 and market value of \$933,840.

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, 2011, the District's cash balance of \$1,611,312 was exposed to custodial credit risk in the amount of \$338,115.

State of New Mexico
Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2011

B. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

| <u>Governmental Activities</u> | Balance <u>6/30/10</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>6/30/11</u> |
|--------------------------------|---------------------------|--------------------|------------------|---------------------------|
| <u>Cost</u> | | | | |
| Land | \$ 339,621 | \$ - | \$ - | \$339,621 |
| Buildings | 13,742 | - | - | 13,742 |
| Vehicles | 47,223 | - | - | 47,223 |
| Software | 4,104 | - | - | 4,104 |
| Computer equipment | <u>71,471</u> | <u>-</u> | <u>-</u> | <u>71,471</u> |
| Total at historical cost | <u>176,161</u> | <u>-</u> | <u>-</u> | <u>476,161</u> |
| Accumulated depreciation | | | | |
| Building | (5,957) | (687) | - | (6,644) |
| Vehicles | (37,573) | (3,735) | - | (41,308) |
| Software | (3,951) | (122) | - | (4,073) |
| Computer equipment | <u>(59,586)</u> | <u>(7,701)</u> | <u>-</u> | <u>(67,287)</u> |
| Total accumulated depreciation | <u>(107,067)</u> | <u>(12,245)</u> | <u>-</u> | <u>(119,312)</u> |
| Net capital assets | <u>\$369,094</u> | <u>\$ (12,245)</u> | <u>\$ -</u> | <u>\$ 356,849</u> |

Current year depreciation expense is \$12,245 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, 2011**

D. Long-Term Debt

Changes in long term debt liabilities
Long term debt activity for the year ended June 30, 2011 was as follows:

| | Balance 6/30/10 | Increase | Decrease | Balance 6/30/11 | Amount due within1 year |
|----------------------|--------------------|----------------|-----------------|--------------------|----------------------------|
| Mortgage Loan | \$328,883 | - | 34,959 | \$293,924 | \$35,292 |
| Compensated absences | <u>4,886</u> | <u>9,136</u> | <u>8,486</u> | <u>5,536</u> | <u>5,536</u> |
| Totals | <u>\$333,769</u> | <u>\$9,136</u> | <u>\$43,445</u> | <u>\$299,460</u> | <u>\$40,828</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, 2011

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, 2011, 2010 and 2009 were \$9,864, \$9,736, and \$9,233, 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, 2011**

H. Mortgage Loan

In March of 2010, the District purchased approximately three acres of land. The District entered into a loan agreement with 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, 2011 the balance on the mortgage loan was \$293,924. The annual debt service requirements for the mortgage loan at June 30, 2011 are as follows:

| Year Ended | Principal | Interest | Total |
|------------|------------------|-----------------|------------------|
| 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 |
| 2016 | 37,688 | 4,170 | 41,858 |
| Thereafter | <u>112,102</u> | <u>6,495</u> | <u>118,597</u> |
| Total | <u>\$293,924</u> | <u>\$33,963</u> | <u>\$327,887</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, 2011 which collectively comprise the District's basic financial statements and have issued our report thereon dated December 9, 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
December 9, 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 -Other

Condition

The annual audited financial report for the fiscal year 2011 was not submitted to the State Auditor's Office by the December 1, 2011 deadline. The report was submitted and received by the State Auditor's Office on December 12, 2011.

Criteria

New Mexico State Auditor Rule Section 2.2.2.9 and audit contract require that the District's audit report be submitted to the State Auditor's Office no later than December 1, 2011.

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.

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 regrets that the audit report was not submitted by the due date of December 1, 2011. Unfortunately, due to prior project commitments as well as increased administrative workload, we were unable to meet the deadline. Taos Soil & Water Conservation District will strive in the future to comply with the State Auditor rule regarding report submission.

**State of New Mexico
Taos Soil and Water Conservation District
Prior Year Audit Findings
June 30, 2011**

Condition

Current year status

10-1 Late Audit Report

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, 2011**

The contents of this report were discussed at an exit conference on December 9, 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