

**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, 2013**

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

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

**Official Roster**

**June 30, 2013**

**Board of Supervisors**

Maureen Johnson

Stephen Trujillo

Anthony Benson

Antonio Romero

Felix Santistevan

Mark Schuetz

**Position**

Chairperson

Vice-Chairperson

Secretary/Treasurer

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

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the 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, 2013 and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

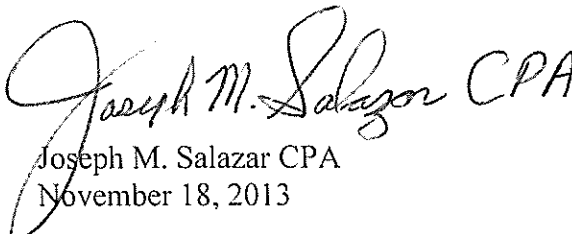
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major funds of the District as of June 30, 2013 and the respective changes in the financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 2013 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* in considering the District's internal control over financial reporting and compliance.

  
Joseph M. Salazar CPA  
November 18, 2013

## **Basic Financial Statements**

STATE OF NEW MEXICO  
 TAOS SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF NET POSITION  
 June 30,2013

Exhibit 1

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 1,949,051
Cash on deposit with New Mexico Finance Authority	47,819
Property taxes receivable	20,646
Inventory	17,216
Total current assets	<u>2,034,732</u>
Non Current Assets	
Capital assets	480,733
less accumulated depreciation	<u>(110,433)</u>
Total capital assets net of depreciation	<u>370,300</u>
Total assets	<u><u>\$2,405,032</u></u>
<b>LIABILITIES</b>	
Liabilities	
Account payable	\$5,513
Accrued payroll	681
Compensated absences-current	1,615
Mortgage loan payable-current	36,236
Total current liabilities	<u>44,045</u>
Long term liabilities	
Mortgage loan payable	<u>192,702</u>
Total long term liabilities	<u>192,702</u>
Total liabilities	<u>236,747</u>
<b>NET POSITION</b>	
Net investment in capital assets	370,300
Restricted for mortgage loan payments	47,819
Unrestricted	<u>1,750,166</u>
Total net position	<u>2,168,285</u>
Total liabilities and net position	<u><u>\$2,405,032</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, 2013

Exhibit 2

Program Expenses	Governmental Activities
Conservation:	
Current	
Acequia project-GIS	\$ 3,790
Acequia project	164,108
Administration	34,457
Animal damage	42,137
Bonding and insurance	17,229
Contract labor	96,025
Education and outreach	18,513
Fire prevention	32,339
Interest payments on loan	9,714
Invasive species	4,635
Personnel services	185,675
Range improvements	12,500
Special projects	14,046
Streambank protection	6,356
Supplies	10,555
Training	2,981
Travel and per diem	20,619
Utilities	8,194
Building	2,705
Water program	354
Miscellaneous	673
Depreciation	11,568
Total expenses	<u>699,173</u>
<b>Program Revenues</b>	
Charges for services	<u>9,248</u>
Total program revenue	<u>9,248</u>
Net program (expenses)revenues	<u>(689,925)</u>
<b>General revenues</b>	
NMDA allotment	12,989
Property taxes	960,876
Gain on sale of capital asset	1,200
Interest	5,214
Miscellaneous	410
Total general revenues	<u>980,689</u>
Change in net position	<u>290,764</u>
Net Position-Beginning of Year	1,877,521
Net Position-End of Year	<u><u>\$ 2,168,285</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 30,2013**

**Exhibit 3**

<b>ASSETS</b>	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 1,949,051	\$ -	\$ 1,949,051
Cash on deposit with New Mexico Finance Authority	-	47,819	47,819
Property taxes receivable	20,646	-	20,646
Inventory	17,216	-	17,216
Total Assets	<b>\$ 1,986,913</b>	<b>\$ 47,819</b>	<b>\$ 2,034,732</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Account payable	\$ 5,513	-	\$ 5,513
Accrued payroll	681	-	681
Total Current Liabilities	6,194	-	6,194
<b>Fund balance</b>			
Nonspendable- inventory	17,216	-	17,216
Restricted for mortgage loan payments	-	47,819	47,819
Assigned for conservation project	790,421	-	790,421
Assigned for subsequent year's expenditures	339,598	-	339,598
Unassigned	833,484	-	833,484
Total fund balance	1,980,719	47,819	2,028,538
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,986,913</b>	<b>\$ 47,819</b>	<b>\$ 2,034,732</b>

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 POSITION

FOR THE YEAR ENDED JUNE 30, 2013

Total fund balances for governmental funds		\$ 2,028,538
Amounts reported for governmental activities in the statement of net position 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	480,733	
Accumulated depreciation	<u>(110,433)</u>	
Total capital assets		370,300
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	228,938	
Compensated absences	<u>1,615</u>	
Total liabilities		(230,553)
Net Position of Governmental Activities		<u>\$2,168,285</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, 2013

Exhibit 5

	General Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>			
State allocation	\$ 12,989	\$ -	\$ 12,989
Property taxes	960,876	-	960,876
Interest income	5,081	133	5,214
Reimbursements	9,248	-	9,248
Gain on sale of capital asset	1,200	-	1,200
Miscellaneous	410	-	410
Total Revenues	<u>989,804</u>	<u>133</u>	<u>989,937</u>
<b>EXPENDITURES</b>			
Conservation:			
Current			
Acequia project-GIS	3,790	-	3,790
Acequia project	164,108	-	164,108
Administration	34,457	-	34,457
Animal damage	42,137	-	42,137
Bonding and insurance	17,229	-	17,229
Contract labor	96,025	-	96,025
Education and outreach	18,513	-	18,513
Fire prevention	32,339	-	32,339
Loan payment	-		
Principal	-	35,633	35,633
Interest	-	9,714	9,714
Invasive species	4,635	-	4,635
Personnel services	184,946	-	184,946
Range improvements	12,500	-	12,500
Streambank protection	6,356	-	6,356
Special projects	14,046	-	14,046
Supplies	10,555	-	10,555
Training	2,981	-	2,981
Travel and per diem	20,619	-	20,619
Utilities	8,194	-	8,194
Building	2,705	-	2,705
Water programs	354	-	354
Miscellaneous	673	-	673
Total expenditures	<u>677,162</u>	<u>45,347</u>	<u>722,509</u>
Excess(deficiency) of revenue over expenditures	312,642	(45,214)	267,428
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to debt service fund	(45,347)	45,347	-
Total other financing sources (Uses)	<u>(45,347)</u>	<u>45,347</u>	<u>-</u>
Net Changes in Fund Balances	<u>267,295</u>	<u>133</u>	<u>267,428</u>
Fund Balances-Beginning of Year	1,713,424	47,686	1,761,110
Fund Balance-End of Year	<u>\$ 1,980,719</u>	<u>\$ 47,819</u>	<u>\$ 2,028,538</u>

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, 2013

Net change in fund balance – total governmental funds	\$ 267,428
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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	-	
Depreciation expense	<u>( 11,568)</u>	
Excess of capital outlay over depreciation expense		(11,568)

Expenses recognized in the Statement of Activities.

Not reported in governmental funds- increase in compensated absences	(729)
Not reported in governmental funds –decrease in mortgage loan	35,633

	<u>34,904</u>
Changes in Net Position of Governmental Activities	<u>\$290,764</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, 2013**

	GENERAL FUND			
	Budget Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Property taxes	\$ 850,000	\$ 850,000	\$ 961,754	\$118,939
State funds	40,000	40,000	12,989	(27,011)
Interest income	16,500	16,500	5,081	(11,419)
Income /reimbursements	6,600	6,600	10,858	4,258
<b>Total Revenues</b>	<u>913,100</u>	<u>913,100</u>	<u>\$ 990,682</u>	<u>\$ 84,767</u>
Cash balance budgeted	<u>257,868</u>	<u>257,868</u>		
<b>Total revenues and cash balance budgete</b>	<u><u>\$ 1,170,968</u></u>	<u><u>\$ 1,170,968</u></u>		
<b>Expenditures</b>				
<b>Current</b>				
Acequia project	\$ 261,033	\$ 261,033	\$ 166,028	\$ 95,005
Acequia GIS	15,000	15,000	3,790	11,210
Administration	45,000	42,100	34,774	7,326
Animal damage	44,500	44,500	41,989	2,511
Bonding and insurance	21,000	21,000	17,181	3,819
Contract labor	233,500	216,500	95,786	120,714
Education and outreach	27,000	27,000	18,513	8,487
Fire prevention	26,485	42,485	32,339	10,146
Loan payment	42,000	42,000	45,347	(3,347)
Water programs	5,000	5,000	354	4,646
Invasive species	8,000	8,000	4,635	3,365
Personnel services	235,000	235,000	184,766	50,234
Range improvements	30,500	30,500	12,500	18,000
Special projects	22,126	22,126	14,046	8,080
Streambank protection	17,324	17,324	6,356	10,968
Supplies	8,000	11,900	11,511	389
Training	8,000	8,000	2,981	5,019
Travel and per diem	25,000	25,000	21,478	3,522
Utilities	8,000	8,000	8,324	(324)
Office and field equipment	27,500	27,500	-	27,500
Other	1,000	1,000	673	327
Land and building	60,000	60,000	2,705	57,295
<b>Total Expenditures</b>	<u><u>\$ 1,170,968</u></u>	<u><u>\$ 1,170,968</u></u>	<u><u>\$ 726,076</u></u>	<u><u>\$444,892</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, 2013**

**(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 position) 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, 2013

(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. 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, 2013**

(1) **Summary of Significant Accounting Policies (continued)**

Debt service fund was established to account for the proceeds in the amount of \$37,037 which is approximately 10% of the loan agreement amount held by the New Mexico Finance Authority (NMFA) 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. Also, At June 30, 2013 the District had \$10,782 in its debt service account with NMFA which is used to pay the principal and interest on its loan on a annual basis.

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 Position 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 \$20,646 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, 2013 is \$17,216. 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, 2013**

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 \$681 for accrued payroll and \$5,513 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, 2013**

7. Net Position and Fund Balance

The difference between the District's assets and liabilities is its net position. The District's net position consists of three components: net investment in capital assets, which is the cost of capital assets, net of accumulated depreciation, unrestricted net position and restricted net position—wherein the constraints placed on net position 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 \$17,216 as nonexpendable for inventory and restricted for mortgage loan payments. The District also currently has an assigned fund balance for conservation projects of \$790,421, and assigned for subsequent year's expenditures of \$339,598 to balance the FY 13 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. The District does not prepare a budget for its debt service fund.

**State of New Mexico**  
**Taos Soil and Water Conservation District**  
**Notes to Financial Statements**  
**June 30, 2013**

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

	Total Governmental <u>Funds</u>
Non-GAAP revenues (Exhibit 7)	\$ 990,682
Prior year receivables	(21,524)
Current year receivables	<u>20,646</u>
GAAP revenues (Exhibit 5)	<u>\$ 989,804</u>
Non-GAAP expenditures (Exhibit 7)	\$ 726,076
Prior year payables and accrued payroll	(9,698)
Current year payables	6,194
Mortgage loan payment	
Prior year inventory	17,153
Current year inventory	<u>(17,216)</u>
GAAP expenditures (Exhibit 5)	<u>\$ 722,509</u>

**III Detailed Notes on all Funds**

**A. Cash and cash equivalents**

As of June 30, 2013, the District had a carrying amount of deposits of \$1,949,051. The bank balances for deposits were \$1,963,324. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$14,273. The total bank balance consisted of the following:

US Bank	
Demand deposits	\$ 33,187
Demand deposits	698
Demand deposits	1,364
Money market	<u>195,069</u>
Total	<u>242,918</u>
FDIC coverage	<u>\$242,918</u>

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

**State of New Mexico Taos Soil and Water Conservation District**  
**Notes to Financial Statements**  
**June 30, 2013**

Centinel Bank-Money market account	<u>\$248,184</u>
FDIC coverage	<u>\$248,184</u>
Peoples Bank	
Money market account	\$232,040
Demand deposit account-payroll	7,148
Demand deposit account-	<u>5,631</u>
	<u>244,819</u>
FDIC coverage	<u>244,819</u>
Peoples Bank	
LPL financial services thru Peoples Bank	
JP Morgan Money Market	3
Certificates of deposits	
Apple Bank for Savings	240,000
Bank of Baroda	248,000
Beal Bank	248,000
Bank of China	8,000
Safra Bank	248,000
KeyBank National	<u>248,000</u>
Total	<u>1,240,003</u>
FDIC coverage	<u>\$1,240,003</u>

Custodial credit risk is the risk that in the event of a bank (or other custodial agent) failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2013, the District's cash balance of \$1,963,324 was not exposed to custodial credit risk.

**State of New Mexico**  
**Taos Soil and Water Conservation District**  
**Notes to Financial Statements**  
**June 30, 2013**

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

<u>Governmental Activities</u>	Balance 6/30/12	<u>Additions</u>	<u>Deletions</u>	Balance 6/30/13
<u>Cost</u>				
Land	\$ 339,621	\$ -	\$ -	\$339,621
Buildings	13,742	-	-	13,742
Vehicles	80,342	-	28,547	51,795
Software	4,104	-	-	4,104
Computer equipment	<u>71,471</u>	<u>-</u>	<u>-</u>	<u>71,471</u>
Total at historical cost	<u>509,280</u>	<u>-</u>	<u>28,547</u>	<u>480,733</u>
 Accumulated depreciation				
Building	(7,331)	(687)	-	(8,018)
Vehicles	(46,147)	(8,804)	28,547	(26,404)
Software	(4,103)	(239)	-	(4,342)
Computer equipment	<u>(69,831)</u>	<u>(1,838)</u>	<u>-</u>	<u>(71,669)</u>
Total accumulated depreciation	<u>(119,312)</u>	<u>(11,568)</u>	<u>28,547</u>	<u>(110,433)</u>
Net capital assets	<u>\$381,868</u>	<u>\$(11,568)</u>	<u>\$ 28,547</u>	<u>\$ 370,300</u>

Current year depreciation expense is \$11,568 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, 2013

**D. Long-Term Debt**

Changes in long term debt liabilities

Long term debt activity for the year ended June 30, 2013 was as follows:

	Balance 6/30/12	Increase	Decrease	Balance 6/30/13	Amount due within1 year
Mortgage Loan	\$264,571	\$ -	\$35,633	\$228,938	\$36,236
Compensated absences	<u>886</u>	<u>10,246</u>	<u>9,517</u>	<u>1,615</u>	<u>1,615</u>
<b>Totals</b>	<b><u>\$265,457</u></b>	<b><u>\$10,246</u></b>	<b><u>\$45,140</u></b>	<b><u>\$230,553</u></b>	<b><u>\$37,851</u></b>

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

**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, 2013 the balance on the mortgage loan was \$228,938. The annual debt service requirements for the mortgage loan at June 30, 2013 are as follows:

Year Ended	Principal	Interest	Total
2014	36,236	5,622	41,858
2015	36,890	4,968	41,858
2016	37,689	4,169	41,858
2017	38,608	3,250	41,858
2018	39,654	2,204	41,858
Thereafter	<u>39,861</u>	<u>1,042</u>	<u>40,903</u>
<b>Total</b>	<b><u>\$228,938</u></b>	<b><u>\$21,255</u></b>	<b><u>\$250,193</u></b>

**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, 2013**

**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](http://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, 2013, 2012 and 2011 were \$15,388, \$11,451, and \$9,864 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 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, 2013**

**I. Memorandum of Agreement**

The District entered into a memorandum of agreement with New Mexico Association of Conservation Districts (NMACD) for the District to employ personnel to provide administrative and program assistance to NRCS for the USDA farm bill program. NMACD will provide the funding for the position and reimburse the District upon receipt of an invoice from the District. The maximum reimbursement to the District is \$18,262. The agreement commenced on July 1, 2012 and terminated on June 30, 2013. The District's recorded payroll expenditure and reduced the expenditures when the District was reimbursed by NMACD. During the fiscal year the District received and expended \$14,898. The revenue and expenditures are reported by NMACD.

Also the District entered into a memorandum of agreement with the New Mexico Office of the State Engineer (NMOSE) for the measurement of water levels in nine wells that are measured and recorded twice a year by the District during winter (mid December – mid March) and summer (mid June-mid September) and record and submit data and information collected to the NMOSE. The District will provide its own sanitary water level measurement. NMOSE will receive and review data collection performed by the District for consistency with US Department of Interior, U.S. Geological Survey protocols and trends. This agreement will commence with the summer 2012 (June 2012 to August 2012) water level measurement. The MOU will continue indefinitely until terminated by either party. The MOU is neither a fiscal nor a funds obligations document. Nothing in the MOU authorizes or is intended to obligate the parties to reimburse funds, services or supplies to each other.

**JOSEPH M. SALAZAR**  
**CERTIFIED PUBLIC ACCOUNTANT**  
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Española, New Mexico 87532  
Phone/Fax 505-747-2775

**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 in accordance with the auditing standard 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, 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, 2013 and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated November 18, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit, of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

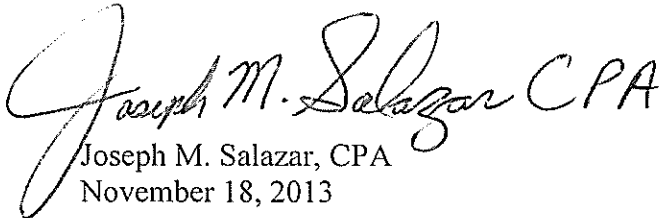
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant and therefore material weakness or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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*.

### **Purpose of this Report**

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Joseph M. Salazar, CPA  
November 18, 2013

**State of New Mexico  
Taos Soil and Water Conservation District  
Prior Year Audit Findings  
June 30, 2013**

Condition

Current year status

No Audit findings

**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, 2013**

The contents of this report were discussed at an exit conference on November 18, 2013. Those attending were as follows:

Maureen Johnson, District Chairwoman

Peter Vigil, District Manager

Charlotte Martinez, Administrative Assistant

Independent Auditor

Joseph M. Salazar CPA

