

**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, 2014

**JOSEPH M. SALAZAR, CPA
P.O. BOX 1744
ESPANOLA, NEW MEXICO 87532
505-747-2775 Phone/Fax**

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

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June 30, 2014

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

Official Roster

June 30, 2014

Board of Supervisors

Maureen Johnson

Stephen Trujillo

Anthony Benson

Mary Lane Leslie

Andy Martinez

Felix Santistevan

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, 2014 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.

Opinion

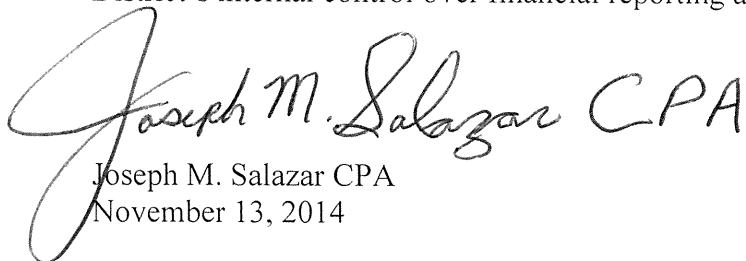
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major funds of the District as of June 30, 2014 and the respective changes in the financial position thereof and the respective 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 13, 2014 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 13, 2014

Basic Financial Statements

STATE OF NEW MEXICO
 TAOS SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF NET POSITION
 June 30,2014

Exhibit 1

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 2,075,641
Cash on deposit with New Mexico Finance Authority	47,983
Property taxes receivable	23,115
Inventory	23,384
Total current assets	<u>2,170,123</u>
Non Current Assets	
Capital assets	515,977
less accumulated depreciation	<u>(122,196)</u>
Total capital assets net of depreciation	<u>393,781</u>
Total assets	<u><u>\$2,563,904</u></u>
LIABILITIES	
Liabilities	
Account payable	\$17,308
Accrued payroll	2,400
Compensated absences-current	4,987
Mortgage loan payable-current	36,760
Total current liabilities	<u>61,455</u>
Long term liabilities	
Mortgage loan payable	<u>156,047</u>
Total long term liabilities	<u>156,047</u>
Total liabilities	<u>217,502</u>
NET POSITION	
Net investment in capital assets	393,781
Restricted for mortgage loan payments	47,983
Unrestricted	<u>1,904,638</u>
Total net position	<u>2,346,402</u>
Total liabilities and net position	<u><u>\$2,563,904</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, 2014

Exhibit 2

Program Expenses	Governmental Activities
Conservation:	
Current	
Acequia project-GIS	\$ 9,956
Acequia project	99,733
Administration	46,458
Animal damage	31,595
Bonding and insurance	43,647
Contract labor	158,284
Education and outreach	24,125
Fire prevention	52,573
Interest payments on loan	2,238
Invasive species	3,984
Personnel services	270,766
Range improvements	12,000
Special projects	3,613
Supplies	12,666
Training	4,471
Travel and per diem	17,804
Utilities	7,864
Office and field equipment	5,988
Water program	5,049
Miscellaneous	465
Depreciation	11,763
Total expenses	825,042
Program Revenues	
Charges for services	15,999
Total program revenue	15,999
Net program (expenses)revenues	(809,043)
General revenues	
NMDA allotment	12,907
Property taxes	969,017
Gain on sale of capital asset	
Interest	5,236
Miscellaneous	-
Total general revenues	987,160
Change in net position	178,117
Net Position-Beginning of Year	2,168,285
Net Position-End of Year	\$ 2,346,402

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 30,2014

Exhibit 3

ASSETS	General Fund	Debt Service Fund	Total Governmental Funds
Cash and cash equivalents	\$ 2,075,641	\$ -	\$ 2,075,641
Cash on deposit with New Mexico Finance Authority	-	47,983	47,982
Property taxes receivable	23,115	-	23,115
Inventory	23,384	-	23,384
Total Assets	\$ 2,122,140	\$ 47,983	\$ 2,170,122
LIABILITIES AND FUND BALANCES			
Liabilities			
Account payable	\$ 17,308	\$ -	\$ 17,308
Accrued payroll	2,400	-	2,400
Total Current Liabilities	19,708	-	19,708
Fund balance			
Nonspendable- inventory	23,384	-	23,384
Restricted for mortgage loan payments	-	47,983	47,983
Assigned for conservation project	778,007	-	778,007
Assigned for subsequent year's expenditures	806,350	-	806,350
Unassigned	494,691	-	494,691
Total fund balance	2,102,432	47,983	2,150,415
Total Liabilities and Fund Balances	\$ 2,122,140	\$ 47,983	\$ 2,170,123

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, 2014

Total fund balances for governmental funds \$ 2,150,415
 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	515,977	
Accumulated depreciation	<u>(122,196)</u>	
Total capital assets		393,781

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	192,807	
Compensated absences	<u>4,987</u>	
Total liabilities		(197,794)

Net Position of Governmental Activities \$2,346,402

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
REVENUES			
State allocation	\$ 12,907	\$ -	\$ 12,907
Property taxes	969,017	-	969,017
Interest income	5,072	164	5,236
Reimbursements	15,999	-	15,999
Total Revenues	<u>1,002,995</u>	<u>164</u>	<u>1,003,159</u>
EXPENDITURES			
Conservation:			
Current			
Acequia project-GIS	9,956	-	9,956
Acequia project	99,733	-	99,733
Administration	46,458	-	46,458
Animal damage	31,595	-	31,595
Bonding and insurance	43,647	-	43,647
Contract labor	158,284	-	158,284
Education and outreach	24,125	-	24,125
Fire prevention	52,573	-	52,573
Loan payment			
Principal	-	36,236	36,236
Interest	-	2,133	2,133
Invasive species	3,984	-	3,984
Office and field equipment	41,232	-	41,232
Personnel services	267,394	-	267,394
Range improvements	12,000	-	12,000
Special projects	3,613	-	3,613
Supplies	12,666	-	12,666
Training	4,471	-	4,471
Travel and per diem	17,804	-	17,804
Utilities	7,864	-	7,864
Water programs	5,049	-	5,049
Miscellaneous	465	-	465
Total expenditures	<u>842,913</u>	<u>38,369</u>	<u>881,282</u>
Excess(deficiency) of revenue over expenditures	160,082	(38,205)	121,877
OTHER FINANCING SOURCES (USES)			
Transfer to debt service fund	(38,369)	38,369	-
Total other financing sources (Uses)	<u>(38,369)</u>	<u>38,369</u>	<u>-</u>
Net Changes in Fund Balances	<u>121,713</u>	<u>164</u>	<u>121,877</u>
Fund Balances-Beginning of Year	1,980,719	47,819	2,028,538
Fund Balance-End of Year	<u>\$ 2,102,432</u>	<u>\$ 47,983</u>	<u>\$ 2,150,415</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, 2014

Net change in fund balance – total governmental funds \$ 121,877

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	35,244	
Depreciation expense	<u>(11,763)</u>	
Excess of capital outlay over depreciation expense		23,481

Expenses recognized in the Statement of Activities.

Not reported in governmental funds- increase in compensated absences	(3,372)
Not reported in governmental funds –decrease in mortgage loan	36,131

Changes in Net Position of Governmental Activities	<u>32,759</u>	<u>\$178,117</u>
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The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO **Exhibit 7**
TAOS SOIL AND WATER CONSERVATION DISTRICT
STATEMENT REVENUE AND EXPENDITURES- BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) GENERAL FUND
For Year Ended June 30, 2014

	GENERAL FUND			
	Budget Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Property taxes	\$ 938,348	\$ 938,348	\$ 966,548	\$ 28,200
State funds	11,000	11,000	12,907	1,907
Interest income	6,000	6,000	5,236	(764)
Income /reimbursements	12,000	12,000	15,999	3,999
Total Revenues	<u>967,348</u>	<u>967,348</u>	<u>\$ 1,000,690</u>	<u>\$ 33,342</u>
Cash balance budgeted	<u>339,598</u>	<u>339,598</u>		
Total revenues and cash balance budgete	<u>\$ 1,306,946</u>	<u>\$ 1,306,946</u>		
Expenditures				
Current				
Acequia project	\$ 304,955	\$ 304,955	\$ 103,111	\$ 201,844
Acequia GIS	15,000	10,000	9,956	44
Administration	35,000	47,000	45,173	1,827
Animal damage	41,000	41,000	31,883	9,117
Bonding and insurance	39,000	44,500	43,695	805
Contract labor	187,000	159,500	152,627	6,873
Education and outreach	25,000	25,000	24,055	945
Fire prevention	22,516	59,516	50,418	9,098
Loan payment	42,000	42,000	38,369	3,631
Water programs	25,000	15,000	5,049	9,951
Invasive species	5,000	5,000	3,984	1,016
Personnel services	263,000	267,000	265,675	1,325
Range improvements	30,500	30,500	12,000	18,500
Special projects	28,177	28,177	3,613	24,564
Streambank protection	22,308	22,308	-	22,308
Supplies	12,000	14,000	12,634	1,366
Training	10,000	5,000	4,471	529
Travel and per diem	27,000	19,500	17,788	1,712
Utilities	10,000	10,000	7,738	2,262
Office and field equipment	40,000	41,500	41,232	268
Other	1,000	1,000	465	535
Land and building	121,490	114,490	-	114,490
Total Expenditures	<u>\$ 1,306,946</u>	<u>\$ 1,306,946</u>	<u>\$ 873,936</u>	<u>\$433,010</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, 2014

(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, 2014

(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, 2014

(1) Summary of Significant Accounting Policies (continued)

Debt service fund was established to account for the proceeds in the amount of \$37,089 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, 2014 the District had \$10,893 in its debt service account with NMFA which is used to pay the principal and interest on its loan on an annual basis.

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 \$23,115 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, 2014 is \$23,384. 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, 2014

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 \$2,400 for accrued payroll and \$17,308 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, 2014

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 place 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 resources 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 \$778,007, and assigned for subsequent year's expenditures of \$806,350 to balance the FY 15 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, 2014

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

	<u>Total Governmental Funds</u>
Non-GAAP revenues (Exhibit 7)	\$ 1,000,690
Prior year receivables	(20,646)
Current year receivables	<u>23,115</u>
GAAP revenues (Exhibit 5)	<u>\$ 1,003,159</u>
Non-GAAP expenditures (Exhibit 7)	\$ 873,936
Prior year payables and accrued payroll	(6,194)
Current year payables	19,708
Mortgage loan payment	
Prior year inventory	17,216
Current year inventory	<u>(23,384)</u>
GAAP expenditures (Exhibit 5)	<u>\$ 881,282</u>

III Detailed Notes on all Funds

A. Cash and cash equivalents

As of June 30, 2014, the District had a carrying amount of deposits of \$2,075,641. The bank balances for deposits were \$2,082,363. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$6,722. The total bank balance consisted of the following:

US Bank	
Demand deposits	\$ 52,256
Demand deposits	698
Demand deposits	1,364
Money market	<u>65,241</u>
Total	<u>119,559</u>
FDIC coverage	<u>\$119,559</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, 2014

Centinel Bank-Money market account	<u>\$248,495</u>
FDIC coverage	<u>\$248,495</u>
Peoples Bank	
Money market account	\$ 4,442
Demand deposit account-payroll	2,032
Demand deposit account-	<u>227,307</u>
	<u>233,781</u>
FDIC coverage	<u>233,781</u>
Peoples Bank	
LPL financial services thru Peoples Bank	
JP Morgan Money Market	528
Certificates of deposits	
Apple Bank for Savings	240,000
Bank of Baroda	249,000
Bank of China	8,000
GE Capital bank	245,000
Goldman Sach Bank	245,000
JP Morgan Bank	245,000
Key Bank National	<u>248,000</u>
Total	<u>1,480,528</u>
FDIC coverage	<u>\$1,480,528</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, 2014, the District's cash balance of \$2,082,363 was not exposed to custodial credit risk.

State of New Mexico
Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2014

B. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>6/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/14</u>
<u>Cost</u>				
Land	\$ 339,621	\$ -	\$ -	\$339,621
Buildings	13,742	-	-	13,742
Vehicles	51,795	24,249	-	76,044
Software	4,104	10,995	-	15,099
Computer equipment	<u>71,471</u>	<u>-</u>	<u>-</u>	<u>71,471</u>
Total at historical cost	<u>480,733</u>	<u>35,244</u>	<u>-</u>	<u>515,977</u>
 Accumulated depreciation				
Building	(8,018)	(687)	-	(8,705)
Vehicles	(26,404)	(10,261)	-	(36,665)
Software	(4,342)	(422)	-	(4,764)
Computer equipment	<u>(71,669)</u>	<u>(393)</u>	<u>-</u>	<u>(72,062)</u>
Total accumulated depreciation	<u>(110,433)</u>	<u>(11,763)</u>	<u>-</u>	<u>(122,126)</u>
Net capital assets	<u>\$ 370,300</u>	<u>\$ 23,481</u>	<u>\$ -</u>	<u>\$ 393,781</u>

Current year depreciation expense is \$11,763 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, 2014

D. Long-Term Debt

Changes in long term debt liabilities

Long term debt activity for the year ended June 30, 2014 was as follows:

	Balance 6/30/13	Increase	Decrease	Balance 6/30/14	Amount due within 1 year
Mortgage Loan	\$228,938	\$ -	\$36,131	\$192,807	\$36,760
Compensated absences	<u>1,615</u>	<u>14,246</u>	<u>10,874</u>	<u>4,987</u>	<u>4,987</u>
Totals	<u>\$265,457</u>	<u>\$14,246</u>	<u>\$47,005</u>	<u>\$197,794</u>	<u>\$41,747</u>

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, 2014 the balance on the mortgage loan was \$192,807. The annual debt service requirements for the mortgage loan at June 30, 2014 are as follows:

Year Ended	Principal	Interest	Total
2015	36,760	5,098	41,858
2016	37,539	4,319	41,858
2017	38,437	3,421	41,858
2018	39,463	2,395	41,858
2019	<u>40,608</u>	<u>1,148</u>	<u>41,756</u>
Total	<u>\$192,807</u>	<u>\$16,381</u>	<u>\$209,188</u>

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, 2014

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, 2014, 2013 and 2012 were \$21,082, \$15,388, and \$11,451 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, 2014

H. Memorandum of Agreement

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.

I. Deferred Outflows/Inflows of Resources

GASB 63 amended previous guidance on deferred revenue in the government-wide financial statements to include deferred outflows, which is the consumption of net position by the government which is applicable to a future reporting period and deferred inflow of resources, which is the acquisition of net position by the government which is applicable to a future reporting period. The Court has no deferred outflows or inflows of resources at June 30, 2014.

JOSEPH M. SALAZAR
CERTIFIED PUBLIC ACCOUNTANT
P.O. Box 1744
Espanola, 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, 2014 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 13, 2014.

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 an 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.

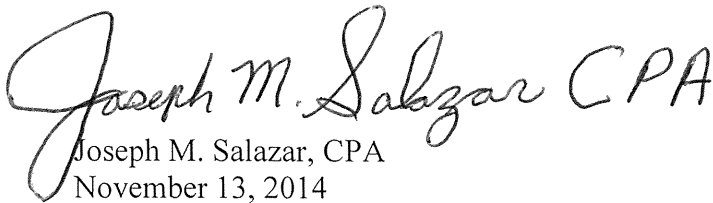
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant and therefore material weakness or significant 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 13, 2014

**State of New Mexico
Taos Soil and Water Conservation District
Prior Year Audit Findings
June 30, 2014**

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, 2014**

The contents of this report were discussed at an exit conference on November 13, 2014. Those attending were as follows:

Maureen Johnson, District Chairwoman

Peter Vigil, District Manager

Independent Auditor

Joseph M. Salazar CPA