

**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, 2015

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

Table of Contents

June 30, 2015

Introductory Section	<u>Page</u>	
Table of Contents	i	
Official Roster	ii	
Financial Section		
Independent's Auditor's Report	1-3	
Basic Financial Statements	<u>Exhibits</u>	<u>Page</u>
Statement of Net Position	1	4
Statement of Activities	2	5
Balance Sheet-Governmental Funds	3	6
Reconciliation of Governmental Funds Balance Sheets to the Statement of Net Position	4	7
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Fund	5	8
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statements of Activities	6	9
Statement of Revenues and Expenditures-Budget and Actual (GAAP Basis) - General Fund	7	10
Notes to Financial Statements		11-26
Schedules	<u>Schedules</u>	
Schedule of district's proportionate share of net pension liability Of PERA Fund Division Municipal General	1	27
Schedule of District Contributions	2	28
Notes to the required supplementary information		29
Government Auditing Standards Reports		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		30-31
Prior Year Findings		32
Exit Conference		33

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

Official Roster

June 30, 2015

Board of Supervisors

Position

Maureen Johnson

Chairperson

Stephen Trujillo

Vice-Chairperson

Anthony Benson

Secretary/Treasurer

Mary Lane Leslie

Supervisor

Andy Martinez

Supervisor

Dennis Cruz

Supervisor

District Personal

Title

Peter Vigil

District Manager

Tanya Duncan

Managerial Assistant

Charlotte Martinez

Administrative Assistant

Matthew Valerio

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. Tim Keller
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, 2015 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, 2015 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.

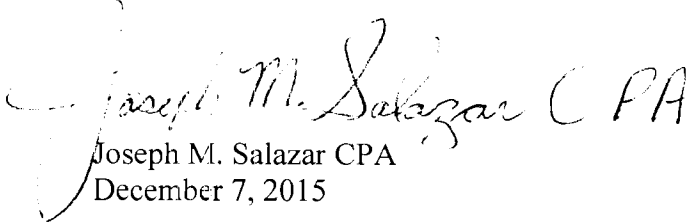
Other Matters

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.

Accounting principles generally accepted in the United States of America require that Schedules 1 and 2 on pages 27 and 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 7, 2015 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
December 7, 2015

Basic Financial Statements

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
June 30,2015**

Exhibit 1

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,125,402
Cash on deposit with New Mexico Finance Authority	48,287
Property taxes receivable	27,715
Inventory	34,322
Total current assets	<u>2,235,726</u>
Non Current Assets	
Capital assets	495,425
less accumulated depreciation	<u>(105,773)</u>
Total capital assets net of depreciation	<u>389,652</u>
Total assets	<u>\$2,625,378</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions	<u>28,034</u>
Total assets and deferred outflow of resources	<u><u>\$2,653,412</u></u>
LIABILITIES	
Liabilities	
Account payable	\$10,259
Accrued payroll	3,731
Compensated absences-current	7,268
Mortgage loan payable-current	<u>37,539</u>
Total current liabilities	<u>58,797</u>
Long term liabilities	
Mortgage loan payable	118,508
Net pension liability	<u>221,550</u>
Total long term liabilities	<u>340,058</u>
Total liabilities	<u>398,855</u>
DEFERRED INFLOWS OF RESOURCES	
Pension investment experience	<u>86,826</u>
NET POSITION	
Invested in capital assets-net of related debt	233,605
Restricted for mortgage loan payments	48,287
Unrestricted	<u>1,885,839</u>
Total net position	<u>2,167,731</u>
Total liabilities, deferred infows of resources and net position	<u><u>\$2,653,412</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, 2015

Exhibit 2

Program Expenses	Governmental Activities
Conservation:	
Current	
Acequia project-GIS	\$ -
Acequia project	176,513
Administration	46,228
Animal damage	46,977
Bonding and insurance	56,705
Contract labor	102,055
Education and outreach	20,005
Fire prevention	42,964
Interest payments on loan	5,098
Invasive species	4,507
Personnel services	326,920
Range improvements	8,880
Special projects	7,657
Streambank protection	14,621
Supplies	10,233
Training	8,987
Travel and per diem	22,749
Utilities	9,328
Office and field equipment	3,084
Water program	264
Miscellaneous	1,021
Depreciation	15,629
Total expenses	<u>930,425</u>
Program Revenues	
Charges for services	<u>11,511</u>
Total program revenue	<u>11,511</u>
Net program (expenses)revenues	<u>(918,914)</u>
General revenues	
NMDA allotment	14,741
Property taxes	1,004,396
Prior year checks cancelled	1,309
Interest	18,960
Miscellaneous	-
Total general revenues	<u>1,039,406</u>
Change in net position	<u>120,492</u>
Net Position-Beginning of Year	2,346,402
Restatement	(299,163)
Restated Net position	<u>2,047,239</u>
Net Position-End of Year	<u>\$ 2,167,731</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 30,2015

Exhibit 3

ASSETS	General Fund	Debt Service Fund	Total Governmental Funds
Cash and cash equivalents	\$ 2,125,402	\$ -	\$ 2,125,402
Cash on deposit with New Mexico Finance Authority	-	48,287	48,287
Property taxes receivable	27,715	-	27,715
Inventory	34,322	-	34,322
Total Assets	\$ 2,187,439	\$ 48,287	\$ 2,235,726
LIABILITIES AND FUND BALANCES			
Liabilities			
Account payable	\$ 10,259	\$ -	\$ 10,259
Accrued payroll	3,731	-	3,731
Total Current Liabilities	13,990	-	13,990
Fund balance			
Nonspendable- inventory	34,322	-	34,322
Restricted for mortgage loan payments	-	48,287	48,287
Assigned for conservation project	839,250	-	839,250
Assigned for subsequent year's expenditures	954,500	-	954,500
Unassigned	345,377	-	345,377
Total fund balance	2,173,449	48,287	2,221,736
Total Liabilities and Fund Balances	\$ 2,187,439	\$ 48,287	\$ 2,235,726

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, 2015

Total fund balances for governmental funds		\$ 2,221,736
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	495,425	
Accumulated depreciation	<u>(105,773)</u>	
Total capital assets		389,652
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	156,047	
Compensated absences	7,268	
Net pension liability	<u>221,550</u>	
Total liabilities		(384,865)
Deferred inflows of resources		(86,826)
Deferred outflows of resources		<u>28,034</u>
Net Position of Governmental Activities		<u>\$2,167,731</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, 2015

Exhibit 5

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
State allocation	\$ 14,741	\$ -	\$ 14,741
Property taxes	1,004,396	-	1,004,396
Interest income	18,656	304	18,960
Reimbursements	11,511	-	11,511
Prior year checks cancelled	1,309	-	1,309
Total Revenues	1,050,613	304	1,050,917
EXPENDITURES			
Conservation:			
Current			
Acequia project-GIS	11,500	-	11,500
Acequia projects	176,513	-	176,513
Administration	46,228	-	46,228
Animal damage	46,977	-	46,977
Bonding and insurance	56,705	-	56,705
Contract labor	102,055	-	102,055
Education and outreach	20,005	-	20,005
Fire prevention	42,964	-	42,964
Loan payment			
Principal	-	36,760	36,760
Interest	-	5,098	5,098
Invasive species	4,507	-	4,507
Office and field equipment	3,084	-	3,084
Personnel services	343,460	-	343,460
Range improvements	8,880	-	8,880
Special projects	7,657	-	7,657
Streambank protection	14,621	-	14,621
Supplies	10,233	-	10,233
Training	8,987	-	8,987
Travel and per diem	22,749	-	22,749
Utilities	9,328	-	9,328
Water programs	264	-	264
Miscellaneous	1,021	-	1,021
Total expenditures	937,738	41,858	979,596
Excess(deficiency) of revenue over expenditures	112,875	(41,554)	71,321
OTHER FINANCING SOURCES (USES)			
Transfer to debt service fund	(41,858)	41,858	-
Total other financing sources (Uses)	(41,858)	41,858	-
Net Changes in Fund Balances	71,017	304	71,321
Fund Balances-Beginning of Year	2,102,432	47,983	2,150,415
Fund Balance-End of Year	\$ 2,173,449	\$ 48,287	\$ 2,221,736

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, 2015

Net change in fund balance – total governmental funds		\$ 71,321
<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	11,500	
Depreciation expense	<u>(15,629)</u>	
Excess of capital outlay over depreciation expense		(4,129)
<p>Expenses recognized in the Statement of Activities.</p>		
Not reported in governmental funds- increase in compensated absences	(2,281)	
Not reported in governmental funds –decrease in mortgage loan	36,760	
Not reported in governmental funds –increase in net pension liability	<u>(221,550)</u>	
		(187,071)
Deferred inflows of resources		(86,826)
Deferred outflows of resources		28,034
Restatement on net position		<u>299,163</u>
Changes in Net Position of Governmental Activities		<u>\$120,492</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, 2015

	GENERAL FUND			
	Budget Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Property taxes	\$ 905,425	\$ 905,425	\$ 999,796	\$ 94,371
State funds	13,000	13,000	14,741	1,741
Interest income	5,000	5,000	18,960	13,960
Income /reimbursements	15,000	15,000	11,511	(3,489)
Prior year cancelled checks	-	-	1,309	1,309
Total Revenues	<u>938,425</u>	<u>938,425</u>	<u>\$ 1,046,317</u>	<u>\$ 107,892</u>
Cash balance budgeted	<u>806,350</u>	<u>806,350</u>		
Total revenues and cash balance budgete	<u>\$ 1,744,775</u>	<u>\$ 1,744,775</u>		
Expenditures				
Current				
Acequia GIS	\$ 15,000	\$ 12,000	\$ 11,500	\$ 500
Acequia projects	318,214	318,214	189,204	129,010
Administration	55,500	55,500	47,194	8,306
Animal damage	45,000	48,000	46,977	1,023
Bonding and insurance	58,500	61,500	56,705	4,795
Contract labor	224,000	224,000	105,391	118,609
Education and outreach	26,000	26,000	20,075	5,925
Fire prevention	83,567	83,567	45,119	38,448
Loan payment	42,000	42,000	41,858	142
Water programs	25,000	20,000	264	19,736
Invasive species	5,000	7,000	4,507	2,493
Personnel services	360,000	360,000	342,129	17,871
Range improvements	41,000	41,000	8,880	32,120
Special projects	39,677	39,677	7,657	32,020
Streambank protection	22,038	22,038	14,621	7,417
Supplies	16,000	16,000	10,265	5,735
Training	10,000	10,000	8,987	1,013
Travel and per diem	30,000	30,000	21,977	8,023
Utilities	10,000	10,000	8,837	1,163
Office and field equipment	35,000	35,000	3,084	31,916
Aerial imagery	25,000	25,000	-	25,000
Other	2,500	2,500	1,021	1,479
Building	255,779	255,779	-	255,779
Total Expenditures	<u>\$ 1,744,775</u>	<u>\$ 1,744,775</u>	<u>\$ 996,252</u>	<u>\$748,523</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, 2015

(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, 2015

(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, 2015

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

Debt service fund was established to account for the proceeds in the amount of \$37,225 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, 2015 the District had \$11,062 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 \$27,715 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, 2015 is \$34,322. 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, 2015

4. Capital Assets

Capital assets, which include property and equipment (including software) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by per Section 12-6-10 NMSA 1978 as assets with an initial cost of \$5,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the items at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized. There is no infrastructure required to be reported pursuant to GASB statement no. 34.

Property and equipment of the District is depreciated using the straight line method over the following estimated useful lives.

Buildings	20 years
Vehicles	5 years
Software	5 years
Computer equipment	5 years

5. Payables

The District's accounts payable represent routine monthly bills for services rendered and products purchased and received in the current fiscal year but not paid for until after fiscal year end. Payables consist of \$3,731 for accrued payroll and \$10,259 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, 2015

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 \$34,322 as nonexpendable for inventory and \$48,287 restricted for mortgage payments. The District also currently has an assigned fund balance for conservation projects of \$839,250, and assigned for subsequent year's expenditures of \$954,500 to balance the FY 16 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, 2015

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

	<u>Total Governmental Funds</u>
Non-GAAP revenues (Exhibit 7)	\$ 1,046,317
Prior year receivables	(23,115)
Current year receivables	<u>27,715</u>
GAAP revenues (Exhibit 5)	<u>\$ 1,050,917</u>
Non-GAAP expenditures (Exhibit 7)	\$ 996,252
Prior year payables and accrued payroll	(19,708)
Current year payables	13,990
Mortgage loan payment	
Prior year inventory	23,384
Current year inventory	<u>(34,322)</u>
GAAP expenditures (Exhibit 5)	<u>\$ 979,596</u>

III Detailed Notes on all Funds

A. Cash and cash equivalents

As of June 30, 2015, the District had a carrying amount of deposits of \$2,125,402. The bank balances for deposits were \$2,153,271. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$27,869. The total bank balance consisted of the following:

US Bank	
Demand deposits	\$ 48,950
Demand deposits	5,698
Demand deposits	1,364
Money market	<u>143,099</u>
Total	<u>199,111</u>
FDIC coverage	<u>\$199,111</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, 2015

Centinel Bank-Money market account	<u>\$248,807</u>
FDIC coverage	<u>\$248,807</u>
Peoples Bank	
Money market account	\$ 12,397
Demand deposit account-payroll	5,285
Demand deposit account-	<u>201,045</u>
	<u>218,727</u>
FDIC coverage	<u>218,727</u>
Peoples Bank	
LPL financial services thru Peoples Bank	
Certificates of deposits	
Discover Bank	249,838
GE Capital Bank	246,385
People's United Bank	250,776
Goldman Sach Bank	246,418
JP Morgan Bank	241,080
Salle Mae Bank National	<u>252,128</u>
Total	<u>1,486,625</u>
FDIC coverage	<u>\$1,483,721</u>

District was under insured with LPL financial services by approximately \$2,904

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, 2015, the District's cash balance of \$2,125,402 was exposed to custodial credit risk by \$2,904.

State of New Mexico
Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2015

B. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>6/30/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/15</u>
<u>Cost</u>				
Land	\$ 339,621	\$ -	\$ -	\$339,621
Buildings	13,742	-	-	13,742
Vehicles	76,044	-	-	76,044
Software	15,099	-	2,909	12,190
Computer equipment	<u>71,471</u>	<u>11,500</u>	<u>29,143</u>	<u>53,828</u>
Total at historical cost	<u>515,977</u>	<u>11,500</u>	<u>32,052</u>	<u>495,425</u>
 Accumulated depreciation				
Building	(8,705)	(687)	-	(9,392)
Vehicles	(36,665)	(11,474)	-	(48,139)
Software	(4,764)	(2,318)	2,909	(4,173)
Computer equipment	<u>(72,062)</u>	<u>(1,150)</u>	<u>29,143</u>	<u>(44,069)</u>
Total accumulated depreciation	<u>(122,196)</u>	<u>(15,629)</u>	<u>32,052</u>	<u>(105,773)</u>
Net capital assets	<u>\$ 393,781</u>	<u>\$ (4,129)</u>	<u>\$ -</u>	<u>\$ 389,652</u>

Current year depreciation expense is \$15,629 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, 2015

D. Long-Term Debt

Changes in long term debt liabilities

Long term debt activity for the year ended June 30, 2015 was as follows:

	Balance 6/30/14	Increase	Decrease	Balance 6/30/15	Amount due within 1 year
Mortgage Loan	\$192,807	\$ -	\$36,760	\$156,047	\$37,539
Compensated absences	<u>4,987</u>	<u>14,246</u>	<u>11,965</u>	<u>7,268</u>	<u>7,268</u>
Totals	<u>\$197,794</u>	<u>\$14,246</u>	<u>\$48,725</u>	<u>\$163,315</u>	<u>\$44,807</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, 2015 the balance on the mortgage loan was \$156,047. The annual debt service requirements for the mortgage loan at June 30, 2015 are as follows:

Year Ended	Principal	Interest	Total
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>\$156,047</u>	<u>\$11,283</u>	<u>\$167,330</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, 2015

F. Pension Plan- Public Employees Retirement Association

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

State of New Mexico
Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2015

Contributions. The contribution requirements of defined benefit plan members and the (**name of employer**) are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage options that apply to Taos and Water Soil Conservation District (District) is: Municipal General Division. Statutorily required contributions to the pension plan from the District were \$28,034 and employer paid member benefits that were “picked up” by the employer were \$ - for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Taos and Water Soil Conservation District proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

State of New Mexico
Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2015

For PERA Fund Division Municipal General Division, at June 30, 2015, the District reported a liability of \$221,550 for its proportionate share of the net pension liability. At June 30, 2014, the District's proportion was .0284 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the District recognized PERA Fund Division Municipal General pension expense of \$9,243. At June 30, 2015, the District reported PERA Fund Division Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	-
Changes of assumptions	-	150
Net difference between projected and actual earnings on pension plan investments	-	86,676
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	28,034	-
Total	<u>28,034</u>	<u>86,826</u>

State of New Mexico
Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2015

\$ 28,034 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$21,706
2017	21,706
2018	21,706
2019	21,706
2020	21,706
Thereafter	-

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.75% annual rate, net of investment expense
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate

State of New Mexico
Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2015

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.1%	5.00%
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	<u>4.0</u>	4.15
Total	<u>100.0%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the (name of employer)'s proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the District net pension liability in each PERA Fund Division that participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

**State of New Mexico
Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2015**

PERA Fund Division (A)	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	417,672		70,037

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. Employers should disclose the amount of payables to the Plan with a description of what gave rise to the payable per GASBS 68, paragraphs 122 and 124.

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.

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.

State of New Mexico
Taos Soil and Water Conservation District
Notes to Financial Statements
June 30, 2015

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 District had deferred outflows and inflows of resources at June 30, 2015 due to GASB 68.

J. Restatement

The District's net position was restated by \$299,163 due to the implementation of GASB 68 pertaining to the pension liability. The amount of \$299,163 is the pension liability from prior years.

SCHEDULE 1

**SCHEDULE OF THE TAOS SOIL AND WATER CONSERVATION DISTRICT'S
PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL GENERAL
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years***

	2015
District's proportion of the net pension liability (asset)	221,550
District's proportionate share of the net pension liability (asset)	.0284
District's covered-employee payroll	326,920
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	67.77%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SCHEDULE 2

**SCHEDULE OF TAOS SOIL AND WATER CONSERVATION DISTRICT'S
CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
PERA Fund Division Municipal General
Last 10 Fiscal Years***

	2015
Contractually required contribution	\$28,034
Contributions in relation to the contractually required contribution	\$28,034
Contribution deficiency (excess)	-
District covered-employee payroll	326,920
Contributions as a percentage of covered-employee payroll	.085%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Taos Soil and Water Conservation District
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Changes of assumptions.

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf. The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

JOSEPH M. SALAZAR
CERTIFIED PUBLIC ACCOUNTANT
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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. Tim Keller
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, 2015 and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2015.

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.

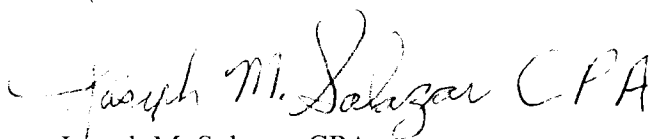
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant and therefore material weakness or significant 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
December 7, 2015

**State of New Mexico
Taos Soil and Water Conservation District
Prior Year Audit Findings
June 30, 2015**

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, 2015**

The contents of this report were discussed at an exit conference on December 7, 2015. Those attending were as follows:

Maureen Johnson, District Chairwoman

Peter Vigil, District Manager

Charlotte Martinez, Administrative Assistant

Independent Auditor

Joseph M. Salazar CPA