

# PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT

Financial Statements, Supplementary Information  
and  
Independent Auditor's Report

June 30, 2016

STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT

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TAOS SOIL AND WATER CONSERVATION DISTRICT

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STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT

List of Principal Officials

June 30, 2016

**Board of Supervisors**

Maureen Johnson	Chairman
Stephen Trujillo	Vice-Chairman
Anthony Benson	Secretary and Treasurer
Andy Martinez	Supervisor
Mary Lane Leslie	Supervisor
Dennis Cruz	Supervisor

**Administrative Officials**

Peter Vigil	District Manager
Tanya Duncan	Managerial Assistant
Charlotte Martinez	Administrative Assistant

**Independent Auditor's Report**

Mr. Timothy Keller, New Mexico State Auditor and  
Mr. Peter Vigil, District Manager and  
The Board of Supervisors of the  
State of New Mexico Taos Soil and Water Conservation District

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information, and the 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison for the nonmajor debt service fund presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2016, as listed in the table of contents.

**Management's 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 misstatement, 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 risks 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion.

Mr. Timothy Keller, New Mexico State Auditor and  
Mr. Peter Vigil, District Manager and  
The Board of Supervisors of the  
State of New Mexico Taos Soil and Water Conservation District

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of the State of New Mexico Taos Soil and Water Conservation District, as of June 30, 2016, and the respective changes in financial position 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. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons for the nonmajor debt service fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted management's discussion and analysis, that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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 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 Information*

Our audit was conducted for the purpose of forming opinions on the District's financial statements and budgetary comparisons. The schedules required by Section 2.2.2 NMAC, as listed in the Supplementary Information – Supporting Schedules section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Mr. Timothy Keller, New Mexico State Auditor and  
Mr. Peter Vigil, District Manager and  
The Board of Supervisors of the  
State of New Mexico Taos Soil and Water Conservation District

The schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information for Purchases Exceeding \$60,000 as listed in the Supplementary Information – Other Schedules section of the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government auditing standards*, we have also issued our report dated November 16, 2016 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, and 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.

*Porch & Associates, LLC*

Albuquerque, New Mexico  
November 16, 2016



**STATE OF NEW MEXICO  
 TAOS SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF NET POSITION  
 June 30, 2016**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,072,536
Cash - restricted for debt service	155,174
Cash - restricted for construction and acquisition	2,210,143
Mil levy receivable	297,015
Grant Receivable	20,983
Inventory	35,016
Capital assets, net	403,128
	<hr/>
<b>Total assets</b>	<b>5,193,995</b>
	<hr/>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions	71,904
	<hr/>
<b>LIABILITIES</b>	
Accounts payable	14,242
Accrued payroll, taxes, and benefits	11,475
Compensated absences, due in one year	6,474
Long-term debt, due in one year	103,169
Long-term debt, due in more than one year	2,348,010
Net pension liability	361,953
	<hr/>
<b>Total liabilities</b>	<b>2,845,323</b>
	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	9,303
	<hr/>
<b>NET POSITION</b>	
Net investment in capital assets	254,484
Restricted for:	
Debt service	155,174
Unrestricted	2,001,615
	<hr/>
<b>Total net position</b>	<b>\$ 2,411,273</b>
	<hr/> <hr/>

*The accompanying notes are an integral part of these financial statements.*

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2016**

	Governmental Activities
<b>EXPENSES</b>	
Acequia projects	\$ 239,442
Administration	45,197
Animal damage	2,999
Bonding and insurance	66,302
Contract labor	169,782
Education and outreach	24,466
Fire prevention	42,916
Grant projects	13,568
Invasive species projects	5,936
Other costs	34,073
Personnel services	376,404
Range improvement projects	16,950
Special projects	3,999
Supplies	11,300
Training	4,256
Travel and per diem	23,688
Utilities	8,002
Water program	1,257
Office and field equipment	3,740
Capital outlay	6,284
Pension expense	19,010
Debt service - interest	4,319
<b>Total expenses</b>	<u>1,123,890</u>
<b>Program Revenues</b>	
Inventory sales	21,023
Operating grant	20,983
<b>Total program revenues</b>	<u>42,006</u>
<b>Net program expense</b>	<u>(1,081,884)</u>
<b>General Revenues</b>	
Mil levy	1,288,024
State allocation	14,674
Interest and investment income	22,728
<b>Total general revenues</b>	<u>1,325,426</u>
<b>Change in Net Position</b>	243,542
Net position, beginning	<u>2,167,731</u>
<b>Net position, ending</b>	<u>\$ 2,411,273</u>

*The accompanying notes are an integral part of these financial statements.*

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2016**

	General	Debt Service	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,072,536	-	<b>2,072,536</b>
Cash - restricted for debt service	-	155,174	<b>155,174</b>
Cash - restricted for construction and acquisition	2,210,143	-	<b>2,210,143</b>
Mil levy receivable	297,015	-	<b>297,015</b>
Grant Receivable	20,983	-	<b>20,983</b>
Inventory	35,016	-	<b>35,016</b>
<b>Total assets</b>	<b>\$ 4,635,693</b>	<b>155,174</b>	<b>4,790,867</b>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
Liabilities			
Accounts payable	\$ 14,242	-	<b>14,242</b>
Accrued payroll, taxes, and benefits	11,475	-	<b>11,475</b>
<b>Total liabilities</b>	<b>25,717</b>	<b>-</b>	<b>25,717</b>
Deferred Inflows			
Unavailable revenue - mil levy	255,412	-	<b>255,412</b>
Fund Balances			
Nonspendable - inventory	35,016	-	<b>35,016</b>
Restricted for:			
Debt service	-	155,174	<b>155,174</b>
Assigned for:			
Conservation projects	794,349	-	<b>794,349</b>
Subsequent year's expenditures	954,500	-	<b>954,500</b>
Construction and acquisition	2,210,143	-	<b>2,210,143</b>
Unassigned	360,556	-	<b>360,556</b>
<b>Total fund balances</b>	<b>4,354,564</b>	<b>155,174</b>	<b>4,509,738</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 4,635,693</b>	<b>155,174</b>	<b>4,790,867</b>

*The accompanying notes are an integral part of these financial statements.*

**STATE OF NEW MEXICO  
 TAOS SOIL AND WATER CONSERVATION DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 June 30, 2016**

Amounts reported for governmental activities in the statement of net position are different because:

<b>Total fund balances - governmental funds</b>	\$	4,509,738
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		403,128
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		255,412
Long-term liabilities, including compensated absences, loan payable, and net pension liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds. Long-term liabilities consists of:		
Compensated absences	(6,474)	
Loans payable	(2,451,179)	
Net pension liability	<u>(361,953)</u>	(2,819,606)
Deferred outflows of resources related to pension are not due and payable in the current period and, therefore, are not reported in the governmental funds.		71,904
Deferred inflows of resources related to pensions are not received in the current period and, therefore, are not reported in the governmental funds.		<u>(9,303)</u>
<b>Net position - governmental activities</b>	<b>\$</b>	<b><u><u>2,411,273</u></u></b>

*The accompanying notes are an integral part of these financial statements.*

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended June 30, 2016**

	General	Debt Service	Total
Revenues			
Mil levy	\$ 1,032,612	-	1,032,612
State allocation	14,674	-	14,674
Inventory sales	21,023	-	21,023
Interest and investment income	22,177	551	22,728
Grants	20,983	-	20,983
<b>Total revenues</b>	<b>1,111,469</b>	<b>551</b>	<b>1,112,020</b>
Expenditures			
Current:			
Acequia projects	239,442	-	239,442
Administration	45,197	-	45,197
Animal damage	2,999	-	2,999
Bonding and insurance	66,302	-	66,302
Contract labor	169,782	-	169,782
Education and outreach	24,466	-	24,466
Fire prevention	42,916	-	42,916
Grant projects	13,568	-	13,568
Invasive species projects	5,936	-	5,936
Other costs	17,413	-	17,413
Personnel services	377,198	-	377,198
Range improvement projects	16,950	-	16,950
Special projects	3,999	-	3,999
Supplies	11,300	-	11,300
Training	4,256	-	4,256
Travel and per diem	23,688	-	23,688
Utilities	8,002	-	8,002
Water program	1,257	-	1,257
Office and field equipment	3,740	-	3,740
Capital outlay	36,420	-	36,420
Debt service - principal	-	37,539	37,539
Debt service - interest	-	4,319	4,319
<b>Total expenditures</b>	<b>1,114,831</b>	<b>41,858</b>	<b>1,156,689</b>
<b>Excess of expenditures over revenues</b>	<b>(3,362)</b>	<b>(41,307)</b>	<b>(44,669)</b>
Other Financing Sources (Uses)			
Proceeds from the issuance of debt	2,332,671	-	2,332,671
Operating transfers out	(148,194)	-	(148,194)
Operating transfers in	-	148,194	148,194
<b>Total other financing sources (uses)</b>	<b>2,184,477</b>	<b>148,194</b>	<b>2,332,671</b>
<b>Change in fund balances</b>	<b>2,181,115</b>	<b>106,887</b>	<b>2,288,002</b>
Fund balance, beginning of year	2,173,449	48,287	2,221,736
<b>Fund balance, end of year</b>	<b>\$ 4,354,564</b>	<b>155,174</b>	<b>4,509,738</b>

*The accompanying notes are an integral part of these financial statements.*

**STATE OF NEW MEXICO  
 TAOS SOIL AND WATER CONSERVATION DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2016**

Amounts reported for governmental activities in the statement of activities are different because:

**Net changes in fund balances - governmental funds** \$ 2,288,002

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the amount by which capital outlay exceeded depreciation in the current period.

Depreciation expense	(16,660)	
Capital outlay	<u>30,136</u>	13,476

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 255,412

Accrued compensated absences are expensed under the accrual method, and not the modified accrual method. 794

The issuance of long-term debt provides current financial resources to governmental funds, but does not effect net position. (2,332,671)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 37,539

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in net pension liability and the related deferred inflows and deferred inflows of resources related to pensions		<u>(19,010)</u>
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**Change in net position - governmental activities** \$ 243,542

*The accompanying notes are an integral part of these financial statements.*

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Mil levy	\$ 859,500	859,500	1,018,724	159,224
State allocation	13,000	13,000	14,674	1,674
Inventory sales	11,000	11,000	20,329	9,329
Interest and investment income	14,000	14,000	22,177	8,177
Grants	60,000	60,000	-	(60,000)
<b>Total revenues</b>	<b>957,500</b>	<b>957,500</b>	<b>1,075,904</b>	<b>118,404</b>
Expenditures				
Acequia projects	473,500	473,500	235,459	238,041
Administration	51,000	51,000	45,197	5,803
Animal damage	40,000	40,000	2,999	37,001
Bonding and insurance	73,700	73,700	66,302	7,398
Contract labor	254,500	254,500	169,782	84,718
Education and outreach	24,600	24,600	24,466	134
Fire prevention	150,500	150,500	42,916	107,584
Grant projects	60,000	60,000	13,568	46,432
Invasive species projects	6,000	6,000	5,936	64
Other costs	1,000	1,000	17,413	(16,413)
Personnel services	378,500	378,500	369,454	9,046
Range improvement projects	43,500	43,500	16,950	26,550
Special projects	32,500	32,500	3,999	28,501
Stream restoration projects	19,000	19,000	-	19,000
Supplies	13,700	13,700	11,300	2,400
Training	10,000	10,000	4,256	5,744
Travel and per diem	25,000	25,000	23,688	1,312
Utilities	9,000	9,000	8,002	998
Water program	2,000	2,000	1,257	743
Aerial imagery	25,000	25,000	-	25,000
Office and field equipment	27,000	27,000	3,740	23,260
Capital outlay	150,000	150,000	36,420	113,580
<b>Total expenditures</b>	<b>1,870,000</b>	<b>1,870,000</b>	<b>1,103,104</b>	<b>766,896</b>
Deficiency of revenues over expenditures	(912,500)	(912,500)	(27,200)	885,300
Other financing sources (uses)				
Proceeds from the issuance of debt	-	-	2,332,671	2,332,671
Transfers out	-	-	(148,194)	(148,194)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>2,184,477</b>	<b>2,184,477</b>
Net change in fund balance	(912,500)	(912,500)	2,157,277	3,069,777
Prior year cash appropriated	912,500	912,500		
	<u>\$ -</u>	<u>-</u>		

*The accompanying notes are an integral part of these financial statements.*

**STATE OF NEW MEXICO TAOS SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND, CONTINUED  
Year Ended June 30, 2016**

Non-GAAP change in fund balance	\$ 2,157,277
Change in:	
Property taxes receivable	269,300
Grant receivable	20,983
Inventory	694
Accounts payable	(3,983)
Accrued payroll, taxes, and benefits	(7,744)
Unavailable revenue - mil levy	(255,412)
GAAP change in fund balance	<u>\$ 2,181,115</u>

*The accompanying notes are an integral part of these financial statements.*



**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Entity.* The State of New Mexico 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, NMSA 1978). The District is a governmental subdivision of the State of New Mexico, a public body corporate and politic, and is organized for the 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. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities.

**A. Financial Reporting Entity**

As required by GAAP, financial statements are presented for the District and its component units. A legally separate organization that does not qualify as a primary government is a potential component unit. The normal criterion for deciding whether a potential component unit is, in fact, a component unit is financial accountability. Financial accountability is determined by analyzing fiscal dependency, board appointments, financial benefit or burden relationships, or the ability of the primary government to impose its will on the potential component unit. Based on these criteria, the District has no component units.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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 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 revenues*.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**A. Financial Reporting Entity (Continued)**

Major individual governmental funds are reported as separate columns in the fund financial statements.

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 recorded.

Governmental 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 both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are 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, are recorded only when payment is made.

The District follows the following revenue recognition principles applied to nonexchange transactions which are in accordance with *GASB Statement 33, Accounting and Reporting for Nonexchange Transactions*:

*Imposed nonexchange revenues – property taxes* are levied and collected by the Taos County treasurer on behalf of the District. The taxes are levied in November and payable in two installments, November 10<sup>th</sup> and May 10<sup>th</sup>. The County remits to the District a percentage of the collections made during the month. Taxes are considered delinquent and subject to lien, penalty, and interest 30 days after the date on which they are due.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**A. Financial Reporting Entity (Continued)**

*Imposed nonexchange revenue other than property taxes* is recognized in the period when an enforceable legal claim has arisen and the resources are available.

*Government-mandated nonexchange transactions and voluntary nonexchange transactions* are recognized when all applicable eligibility requirements have been met and the resources are available. These include grant revenues and state allocations. Grant revenues are recognized as revenues when the related costs are incurred.

Other revenues susceptible to accrual are interest and investment income. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The District reports the following major governmental fund:

*General Fund.* The General Fund is the District's primary operating fund. It accounts for all of the financial resources of the general government except those required to be accounted for in another fund.

**B. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, money market accounts, and certificates of deposit. Cash and cash equivalent deposits are reported at carrying amount, which reasonably estimates fair value.

All investments are stated at fair value that is determined by using selected bases. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**B. Cash and Cash Equivalents (Continued)**

The District does not have an investment policy. The Districts funds are invested in accordance with New Mexico State Statute 6-10-36 which provides for the following investments:

1. United States Treasury Securities (Bills, Notes and Bonds) and other securities issued by the United States government or its agencies or instrumentalities that are either direct obligations of the United States of America, the Federal Home Loan Mortgage Corp., the Federal National Mortgage Association, the Federal Farm Credit Bank, or the Student Loan Marketing Association, or are backed by the full faith and credit of the United States government.
2. Insured and/or collateralized (with U.S. Government Securities and/or New Mexico Bonds) certificates of deposit of banks, savings and loan associations, and
3. credit unions, pursuant to State Board of Finance Collateral Policies.
4. Money market funds whose portfolios consist entirely of United States Government Securities or agencies sponsored by the United States government.
5. Investments in the New Mexico State Treasurer external investment pool (Local Government investment Pool).

**C. Mil Levy Receivable**

The mil levy receivable consists of property taxes. Management considers all taxes as collectable and has not established a reserve for uncollectable accounts.

**D. Inventory**

The District maintains an inventory of pipe and other items for resale. All inventories are valued at cost using the first in/first out method. Inventories are recorded as expenditures when consumed rather than when purchased.

**E. Capital Assets**

Capital assets, which include land, buildings and improvements, vehicles, software, and office equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**E. Capital Assets (Continued)**

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Such assets, including infrastructure, have higher limits that must be met before they are capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and building improvements	20 - 40 years
Vehicles	5 years
Software	5 years
Office equipment	5 years

The Audit Act, 12-6-10, NMSA 1978, requires all assets which cost more than \$5,000 and have a life greater than one year to be added to the General Fixed Asset Account Group and a yearly inventory of those assets must be taken.

**F. Intangible Assets**

Under ASC 350, *Intangibles - Goodwill and Other*, intangible assets with indefinite lives are no longer amortized. Indefinite lived intangible assets are tested for impairment on an annual basis. There were no intangible assets at year-end.

**G. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item in the fund financial statements, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from mil levy. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**H. Pensions – Deferred Inflows and Deferred Outflows or Resources**

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 the payable in accordance with the benefit terms. Investments are reported at fair value.

**I. Accrued Employee Benefits**

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts.

**J. Fund Balances**

The District follows GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement defines fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Supervisors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**J. Fund Balances (Continued)**

- Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Supervisors have provided otherwise in its commitment or assignment actions.

*Major Funds*

The general fund has assigned funds of \$2,210,143 at June 30, 2016. The funds represent debt proceeds which must be used for the construction of a new building and acquisition of furnishing for the new building. In addition, the general fund has \$794,349 assigned to committed conservation projects, and \$954,500 assigned to balance the excess of expenditures over revenues in the 2016 – 2017 budget.

*Nonmajor Funds*

The debt service fund has \$155,174 restricted for debt service payments and debt service reserve.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**K. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**M. Budgetary Information**

Actual amounts on the budgetary basis are prepared on the cash basis of accounting which recognizes revenues when received and expenditures when paid. Annual budgets are adopted for the general and debt service funds.

The District follows the following procedures for establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the District Manager submits to the District Board of Supervisors a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The District Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the District Board of Supervisors and the New Mexico State Department of Finance, Division of Local Governments.



**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**M. Budgetary Information (Continued)**

3. Formal budgetary integration is employed as a management control device during the year for the general fund and debt service funds.
4. Encumbrances are not reported in the budgets or financial statements.
5. The level of classification detail in which expenditures of expenses may not legally exceed appropriations for each budget is in fund total.

**N. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**O. Implementation of New Accounting Standards**

During the year ended June 30, 2016, the District adopted the following Government Accounting Standards Board Statements (GASB):

GASB No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to provide guidance for determining a fair value measurement for financial reporting purposes, and for applying fair value to certain investments and disclosures related to all fair value measurements. The statement will not have a material impact on the District’s financial statements.

GASB No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The statement will not have a material impact on the District’s financial statements.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 2. CASH AND INVESTMENTS**

*Deposits*

*Custodial Credit Risk - Deposits.* Custodial credit risk is, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. As of June 30, 2016, the District's cash and cash equivalent balances of \$4,592,784 were exposed to credit risk in the amount of \$5,155 as follows:

Uninsured and uncollateralized	<u>\$ 5,155</u>
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In accordance with Section 6-10-17, NMSA, 1978 Compilation, the District is required to collateralize an amount equal to one-half of the public money in excess of FDIC and SIPC insurance at each financial institution.

*Credit Risk.* The District has no formal policy on managing credit risk. State law limits investments to United States Government obligations, commercial paper with A-1 or better ratings, corporate bonds with a BBB+ or better rating, asset backed obligations with an AAA or better rating, or repurchase agreements.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 3. CAPITAL ASSETS**

Capital asset activity for the year ending June 30, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not depreciated				
Land	\$ 339,621	-	-	339,621
Buildings - construction in process	-	30,136	-	30,136
<b>Total, not depreciated</b>	<b>\$ 339,621</b>	<b>30,136</b>	<b>-</b>	<b>369,757</b>
Capital assets, depreciated				
Buildings and improvements	\$ 13,742	-	-	13,742
Vehicles	76,044	-	-	76,044
Software	12,190	-	-	12,190
Office equipment	53,828	-	(34,288)	19,540
<b>Total, depreciated</b>	<b>155,804</b>	<b>-</b>	<b>(34,288)</b>	<b>121,516</b>
Accumulated depreciation for:				
Buildings and improvements	9,392	687	-	10,079
Vehicles	48,139	11,474	-	59,613
Software	4,173	2,199	-	6,372
Office equipment	44,069	2,300	(34,288)	12,081
<b>Total accumulated depreciation</b>	<b>105,773</b>	<b>16,660</b>	<b>(34,288)</b>	<b>88,145</b>
<b>Total capital assets, depreciated, net</b>	<b>\$ 50,031</b>	<b>(16,660)</b>	<b>-</b>	<b>33,371</b>
<b>Total capital assets, depreciated and non-depreciated, net</b>	<b>\$ 389,652</b>	<b>13,476</b>	<b>-</b>	<b>403,128</b>

Depreciation expense was charged to other costs in the general fund.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 4. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2016, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Loans	\$ 156,047	2,332,671	(37,539)	<b>2,451,179</b>	103,169
Net pension liability	221,550	140,403	-	<b>361,953</b>	-
Compensated absences	7,268	6,474	(7,268)	<b>6,474</b>	6,474
<b>Total</b>	<u>\$ 384,865</u>	<u>2,479,548</u>	<u>(44,807)</u>	<u><b>2,819,606</b></u>	<u>109,643</u>

*Loans.* The District financed the purchase of land and construction of a building using loans from the New Mexico Finance Authority. The following loans are outstanding at June 30, 2016:

Land acquisition mortgage in the amount of \$369,399, interest is 2.358% per annum, payments of \$41,858 yearly, maturing May, 2019. Secured by a mortgage on the land.	\$ 118,508
Building loan in the amount of \$2,332,671, interest is 0.10% to 2.493% per annum, payments ranging from \$11,191 to \$8,342 per month, maturing April 2046. Secured by a mortgage on the building.	<u>2,332,671</u>
Total loans payable	<u>\$ 2,451,179</u>

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)**

The future requirements for notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 103,169	54,545	157,714
2018	97,910	48,015	145,925
2019	99,497	46,385	145,882
2020	59,427	44,758	104,185
2021	60,048	44,197	104,245
2022 to 2026	313,636	208,503	522,139
2027 to 2031	349,355	174,415	523,770
2032 to 2036	406,042	119,580	525,622
2037 to 2041	478,762	48,058	526,820
2042 to 2046	483,333	-	483,333
	<u>\$ 2,451,179</u>	<u>788,456</u>	<u>3,239,635</u>

*Accrued Compensated Absences.*

It is the policy of the District to accrue vacation leave based on years of service for all permanent full-time and permanent part-time employees at a rate of six and a half days for the first year of service, nine and three quarters days for the second year of service, and thirteen days for all years after the second year of service. Temporary employees are not eligible for annual leave. A maximum of 104 hours may accrue and carry over to subsequent years. A minimum of 24 hours of vacation must be used annually. Upon termination, vacation hours accrued and unused will be paid in full up to 104 hours.

It is the policy of the District to accrue sick leave based on years of service for all permanent full-time and permanent part-time employees at a rate of six and a half days for the first year of service, nine and three quarters days for the second year of service, and thirteen days for all years after the second year of service. Temporary and contract employees are not eligible for sick leave. A maximum of 312 hours may accrue and carry over to subsequent years. An employee with the maximum accrued sick leave may, by written request to the District Manager, ask that up to 52 hours of sick leave be redesignated as vacation leave. Employees who separate from the District due to retirement or death shall be compensated for their total unused sick leave hours at a rate of 25 percent.

Compensated absences have been liquidated with money from the general fund.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 5. INTERFUND OPERATING TRANSFERS**

The general fund transferred \$148,194 to the debt service fund in order to cover required debt service payments, and to establish debt service reserve funds with money received from the building loan.

**NOTE 6. PROPERTY TAXES**

Taos County is responsible for assessing, collecting, and distributing property taxes for the District. Property taxes are assessed on November 1 of each year based on the assessed value on the prior January 1 and are payable in two equal installments by November 10 of the year in which the tax bill is prepared and by April 10 of the following year. Property taxes are delinquent if not paid by thirty days after the due date. Taxes on real property are liened on January 1 of the year for which the taxes are imposed.

**NOTE 7. PERA PENSION PLAN**

*Plan description.* The Public Employees Retirement Fund (PERA or 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://www.saonm.org/> using the Audit Report Search function for agency 366.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 7. PERA PENSION PLAN (CONTINUED)**

*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, 2015, available at:

[http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2015.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf)

*Contributions* – The contribution requirements of defined benefit plan members and the District 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 FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 31 through 32 of the PERA FY15 annual audit report at:

[http://www.saonm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2015.pdf](http://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf)

The PERA coverage option that applies to District is the Municipal General Division. Statutorily required contributions to the pension plan from the District were \$29,610 for the year ended June 30, 2016.

*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, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement dated June 30, 2015.

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 District's 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, 2015.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 7. PERA PENSION PLAN (CONTINUED)**

Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015, were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 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.

PERA Municipal General Division

For the PERA Municipal General Division, at June 30, 2016, the District reported a liability of \$361,953 for its proportionate share of the net pension liability. At June 30, 2015, the District's proportion was 0.0355%, which increased from its proportion of 0.0284% measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized PERA Municipal General Division pension expense of \$19,010. At June 30, 2016, the District reported PERA Municipal General Division deferred outflows of resources and deferred inflows of resources of \$71,904 and \$9,303, respectively, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	8,017
Change in proportion	42,294	-
Change of assumption	-	141
Net difference between projected and actual earnings on pension plan investments	-	1,145
District contributions subsequent to the measurement date	29,610	-
	<u>\$ 71,904</u>	<u>9,303</u>



**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 7. PERA PENSION PLAN (CONTINUED)**

\$29,610 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date June 30, 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

2017	\$ 412
2018	412
2019	412
2020	29,455
2021	<u>2,300</u>
	<u>\$ 32,991</u>

*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, 2014, for each of the membership groups. Then each PERA Fund member group pension liability was rolled from the valuation date to the Plan year ending June 30, 2015, 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, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015, actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
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
– Projected benefit payment	100 years
– Payroll growth	3.50% annual rate
– Projected salary increases	3.50% to 14.25% annual rate
– Included inflation at	3.00% annual rate
– Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirees, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projections to 2018 using Scale AA.
– Experience study dates	July 1, 2008 to June 30, 2013

**STATE OF NEW MEXICO  
 TAOS SOIL AND WATER CONSERVATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016**

**NOTE 7. PERA PENSION PLAN (CONTINUED)**

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 Rate of Return
U.S. 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	4.0	4.15
Total	100.0 %	

*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 that 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 GASB 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.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 7. PERA PENSION PLAN (CONTINUED)**

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate* – The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the District's net pension liability in each PERA Fund division that District 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.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
<u>PERA Municipal General Division</u>			
District's proportionate share of the net pension liability	\$ 616,263	361,953	150,512

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

**NOTE 8. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

The Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico. As authorized under Section 9D of Chapter 6, Laws of 1990, the District, by adoption of an ordinance, has elected not to participate in the program.

**NOTE 9. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the government carries commercial insurance. The District participates in the State of New Mexico Self-Insurers Fund for workers' compensation claims. In addition, the District has obtained insurance through a commercial carrier operating as a common risk management and insurance program. The District pays an annual premium to a commercial carrier for its general coverage and all risk of loss is transferred.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability for claims and judgments is reported in the General Long-Term Debt Account Group because it is not expected to be liquidated with expendable available financial resources.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 10. 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 the winter and the summer, and to submit data and information collected to the NMOSE. The District provides its own sanitary water level measurement. NMOSE reviews data collections performed by the District for consistency with U.S. Department of Interior, U.S. Geological Survey protocols and trends. The agreement commenced with the summer of 2012's water level measurement. The agreement continues indefinitely until terminated by either party. The agreement is neither a fiscal nor a funds obligations document. Nothing in the agreement authorizes or obligates the parties to reimburse funds, services, or supplies to each other.

**NOTE 11. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through November 16, 2016, the date the financial statements were available to be issued. Subsequent to June 30, 2016, the District had no material subsequent events.

**STATE OF NEW MEXICO**  
**TAOS SOIL AND WATER CONSERVATION DISTRICT**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**DEBT SERVICE FUND**  
**Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Interest and investment income	\$ -	-	551	551
Expenditures				
Debt service - principal	42,000	42,000	37,539	4,461
Debt service - interest	-	-	4,319	(4,319)
<b>Total expenditures</b>	<b>42,000</b>	<b>42,000</b>	<b>41,858</b>	<b>142</b>
Deficiency of revenues over expenditures	(42,000)	(42,000)	(41,307)	693
Other financing sources (uses)				
Transfers int	-	-	148,194	148,194
Net change in fund balance	(42,000)	(42,000)	106,887	148,887
Prior year cash appropriated	42,000	42,000		
	<u>\$ -</u>	<u>-</u>		

**STATE OF NEW MEXICO  
 TAOS SOIL AND WATER CONSERVATION DISTRICT  
 Schedule of the District's Proportionate Share of the Net Pension  
 Liability of the Public Employees Retirement Association Plan's  
 Municipal General Division - Last 10 Fiscal Years\*  
 June 30, 2016**

	2016	2015
District's proportion of the net pension liability (asset)	0.0355%	0.0284%
District's proportionate share of the net pension liability (asset)	\$ 361,953	221,550
District's covered-employee payroll	\$ 324,987	326,920
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	111%	68%
Plan fiduciary net position as a percentage of the total plan liability	76.99%	81.29%

\* The amounts presented were determined as of June 30, 2016. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is completed, the District will present information for those years for which information is available.

**STATE OF NEW MEXICO**  
**TAOS SOIL AND WATER CONSERVATION DISTRICT**  
**Schedule of the District's Contributions to the Public Employees Retirement**  
**Association Plan's Municipal General Division - Last 10 Fiscal Years\***  
**June 30, 2016**

	2016	2015
Contractually required contributions	\$ 29,610	28,034
Contributions in relation to the contractually required contribution	29,610	28,034
Contribution deficiency (excess)	\$ -	-
District's covered-employee payroll	\$ 324,987	326,920
Contributions as a percentage of covered-employee payroll	9.1%	8.6%

\* The amounts presented were determined as of June 30, 2016. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is completed, the District will present information for those years for which information is available.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO SCHEDULES OF THE PUBLIC EMPLOYEE  
RETIREMENT ASSOCIATION'S PLAN INFORMATION  
June 30, 2016**

*Changes in Benefit Terms* – The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at:

<http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2015.pdf>

*Changes of Assumptions* – The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at:

<http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>



**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF DEPOSIT ACCOUNTS  
June 30, 2016**

Depository	Account Name	Type	Depository Balance	Reconciled Balance
Peoples Bank	Peoples Unbelievable	Interest bearing checking	\$ 207,968	107,968
Peoples Bank	Peoples Money Market	Money market	5,088	5,088
Peoples Bank	Peoples Payroll	Interest bearing checking	6,889	5,836
Centinel Bank	Centinel Money Market	Interest bearing checking	249,135	249,135
US Bank	US Bank Checking	Interest bearing checking	159,500	105,622
US Bank	US Bank Hunt's Pond	Interest bearing checking	1,364	1,364
US Bank	US Bank Money Market	Money market	3,169	3,169
LPL Financial	LPL Financial	Gov't. Money market	349,907	349,907
LPL Financial	Discover Bank CD	Certificate of deposit	248,586	248,586
LPL Financial	GE Capital Retail CD	Certificate of deposit	245,348	245,348
LPL Financial	Goldman Sachs CD	Certificate of deposit	245,358	245,358
LPL Financial	Peoples United CD	Certificate of deposit	250,105	250,105
LPL Financial	Sallie Mae Bank CD	Certificate of deposit	255,050	255,050
<b>Total cash and cash equivalents held by financial institutions</b>			<u>2,227,467</u>	<u>2,072,536</u>
Funds held in accounts overseen by the NM State Treasurer				
NMSTO	NMFA Debt Service	Interest bearing checking	11,427	11,427
NMSTO	NMFA Reserve Acct.	Interest bearing checking	37,281	37,281
NMSTO	NMFA Reserve Acct.	Interest bearing checking	106,466	106,466
NMSTO	NMFA Program Funds	Interest bearing checking	2,210,143	2,210,143
<b>Total cash and cash equivalents held by NM State Treasurer</b>			<u>2,365,317</u>	<u>2,365,317</u>
<b>Total cash and cash equivalents</b>			<u><u>\$ 4,592,784</u></u>	<u><u>4,437,853</u></u>

**STATE OF NEW MEXICO  
 TAOS SOIL AND WATER CONSERVATION DISTRICT  
 SCHEDULE OF PLEDGED COLLATERAL  
 June 30, 2016**

	Peoples Bank	Centinel Bank	US Bank	LPL Financial CDs	Total
Deposits at June 30, 2016	\$ 219,945	249,135	164,033	1,244,447	<b>1,877,560</b>
Less: FDIC coverage	219,945	249,135	164,033	1,239,292	<b>1,872,405</b>
Uninsured public funds	-	-	-	5,155	<b>5,155</b>
Pledged collateral held by the pledging bank's trust department or agent but not in the District's name	-	-	-	-	-
Uninsured and uncollateralized	\$ -	-	-	5,155	<b>5,155</b>
50% pledged collateral requirement per statute	\$ -	-	-	2,578	<b>2,578</b>
Total pledged collateral	-	-	-	-	-
Pledged collateral over (under) the requirement	\$ -	-	-	(2,578)	<b>(2,578)</b>

Note: The fund's held by the New Mexico State Treasurer's Office are collateralized by that agency.

Note: The LPL money market account is a 2a-7 type money market and does not require collateral or insurance.

**STATE OF NEW MEXICO  
 TAOS SOIL AND WATER CONSERVATION DISTRICT  
 SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (UNAUDITED)  
 Year Ended June 30, 2016**

RFB#/RFP#	State-Wide Price Agreement#	Type of Procurement	Awarded Vendor	Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address of <u>ALL</u> Vendor(s) that responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N)	Brief Description of the Scope of Work
01-15-16	RFP	Conron & Woods	\$ 128,625	NA	Conron & Woods, 1222 Luisa Street, Ste. A, Santa Fe, NM 87505	Y	N	Architectural services for design of new office building	
					LDG Architects, 122A Dona Luz Street, Taos, NM 87571	Y	N		
					Henry Architects, 484 NM 150, Ste. 2, Arroyo Seco, NM 87514	Y	N		
02-15-16	RFP	CDR Construction	\$ 1,890,567	NA	CDR Construction, 1219 Oregon Avenue, Ste. B, Alamogordo, NM 88310	Y	N	Construction of new office building	
					Franken Companies, 1025 Douglas Avenue, Las Vegas, NM 87701	Y	N		
					R&M Construction, LLC, St. Rd. 68, CR 1037 Bldg. 15, Alcalde, NM 87511	Y	N		

# PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS  
10612 ROYAL BIRKDALE NE  
ALBUQUERQUE, NM 87111

## **Independent Auditor's 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. Timothy Keller, New Mexico State Auditor and  
Mr. Peter Vigil, District Manager and  
The Board of Supervisors of the  
State of New Mexico Taos Soil and Water Conservation District

We have audited, in accordance with the 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, financial statements of the governmental activities, the major fund and the budgetary comparison of 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the related budgetary comparison of the debt service fund of the District, presented as supplemental information, and have issued our report thereon dated November 16, 2016.

### **Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Mr. Timothy Keller, New Mexico State Auditor and  
Mr. Peter Vigil, District Manager and  
The Board of Supervisors of the  
State of New Mexico Taos Soil and Water Conservation District

Our consideration of internal control 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 weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2016-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of other findings as required by the New Mexico state statute, section 12-6-5, NMSA 1978 as items 2016-002, 2016-003, 2016-004, 2016-005, and 2016-006.

### **District's Response to Findings**

The District's responses to the findings identified in our engagement are described in the accompanying schedule of findings and questioned costs and the schedule of other findings as required by the New Mexico state statute, section 12-6-5, NMSA 1978. The District's response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it

### **Purpose of this Report**

The purpose of this report is 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.

*Porch & Associates, LLC*

Albuquerque, New Mexico  
November 16, 2016

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2016**

**Findings from Year Ended June 30, 2015:**

None

**Current Status:**

NA

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2016**

**2016-001 Inadequate Segregation of Duties – Material Weakness**

*Condition:* The District Manager performs most of the accounting, reconciling, approving, and record keeping functions of the District without review or oversight by a person unrelated to these activities. This allows the possibility that fraud could be committed and not detected. Examples of the inadequate segregation of duties are as follows:

- The District Manager enters transactions into QuickBooks, codes the transactions into expense accounts, prepares the financial statements, and reconciles the bank accounts. This work is not reviewed by a second individual.
- The District Manager has keys to the locking cabinet where the check stock is kept. The District Manager should not have access to the check stock because he prepares the checks and reconciles the bank account. Having access to the check stock means he could prepare a fraudulent disbursement and then cover it up in the reconciliation process.
- A report of all cash disbursements for each month is prepared by the District Manager and presented at a Board meeting for approval. No one reviews the listing of disbursements to the bank reconciliations and transactions in the accounting system to ensure all transactions are on the list. This means that fraudulent transactions could be deleted from the list and the Board would believe they were reviewing a complete listing of transactions.
- The District Manager has the authority to make discretionary payments on conservation projects. No one reviews the discretionary amounts to ensure they are related to conservation projects or are necessary. Fraudulent transactions could be recorded as discretionary payments and not be discovered as fraud.
- Several of the District's employees have debit cards for purchases. The District Manager has a debit card and also enters and reconciles the debit card purchases to the accounting system. No one reviews his work. In addition, the District does not require receipts or invoices for all debit card transactions. The District Manager could purchase items for personal use and then expense it to a project without the fraud being caught.
- Time cards are required for all employees. They are reviewed by the District Manager. However, no one reviews the time card for the district manager.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2016**

**2016-001 Inadequate Segregation of Duties – Material Weakness (Continued)**

*Criteria:* The Generally Accepted Government Auditing Standards, 2011 Revision, Chapter 4 paragraph 19 requires that when an auditor provides an opinion on financial statements, auditors should also report on internal control over financial reporting. In order for auditors to report on internal control they must evaluate and, in some instances, test those controls.

In evaluating internal controls one of the areas reviewed is segregation of duties in an accounting system. Inadequate segregation of duties is a reportable condition.

*Effect:* Employees of the District could commit fraud and then hide the transactions in the accounting records and transactions.

*Cause:* Inadequate segregation of duties and insufficient review of reconciliations, transactions, and reports.

*Auditor's Recommendations:* The District should develop procedures, at a minimum, for the following:

- All reconciliations should be reviewed by a person other than the person who prepares the reconciliation. The person performing the review function should sign and date the reconciliation indicating the review.
- Timesheets should be reviewed by someone not related to the payroll function. Final payroll reports should be reviewed and reconciled to the accounting system by someone not related to the payroll function.
- Check stock should be kept by a person unrelated to the accounting function.
- The monthly cash disbursement report should be reviewed for completeness before it is presented to the Board. This function should be performed by someone not related to the accounting function.
- All adjusting journal entries should be reviewed and approved before they are entered into the accounting system. Someone unrelated to the accounting function should review the accounting system each month to ensure unapproved adjusting journal entries have not been entered.
- Debit card purchases should be reconciled to the original receipt or invoice each month. Someone unrelated to the accounting function should review the reconciliation and purchase support each month to ensure the purchases are proper, supported, and are not for personal use.



**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2016**

**2016-001 Inadequate Segregation of Duties – Material Weakness (Continued)**

- All discretionary payments made by the District Manager should be approved before the purchase is made. A log of discretionary payments should be kept and approved by the Board monthly.

*Management's Response:* Taos SWCD is grateful for the advice and suggestions that the auditor has documented regarding accounting and record keeping with regard to financials and transactions. The District has reviewed the finding language and as part of our response management has attempted to ensure compliance by implementing the following:

- Entered Quickbooks transactions, expense account coding and financial statement preparation and reconciliation will now be reviewed by a second individual on a monthly basis. These reviews will be dated and signed or initialed.
- Keys to the locking cabinet that contains check stock will now be unavailable to the manager. These keys will be under the control of the administrative assistant.
- The monthly cash disbursement report will now be reviewed against the reconciliation by a second individual to confirm that all transactions are recorded. These reviews will be dated and signed or initialed.
- All District manager discretionary payments are currently recorded. However, in the past they have not been listed in any type of report for Board review. In the future, all discretionary payments will be reviewed by the Board on a month to month basis.
- The District does require receipts for all debit card transactions. In the past, enforcement of this requirement has been sometimes overlooked. In the future, all debit card transactions will be confirmed by receipt. In the case of a misplaced receipt, secondary review by another employee will be required and documented. In the case of the District manager debit card purchases, all will be reviewed and confirmed by a second individual (administrative assistant or managerial assistant). These reviews will be dated and signed or initialed.
- Currently all time cards are reviewed by both the administrative assistant and District manager. However the time sheets are only reviewed by the District manager. In the future the District manager's time sheet will be reviewed by a second individual. These reviews will be dated and signed or initialed.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF OTHER FINDINGS AS REQUIRED BY NEW MEXICO  
STATE STATUTE, SECTION 12-6-5, NMSA 1978  
Year Ended June 30, 2016**

**2016-002 Written Policies and Procedures – Other Matters**

*Condition:* The District does not have written policies and procedures for the accounting functions. The District does have a Personnel Policy, but has implemented procedures that do not follow the policy.

*Criteria:* NMAC 2.20.5.8 states that each local body shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP. The internal control structure shall include written administrative controls (rules, procedures, and practice and policies that affect the District).

*Effect:* The District does not have a guide for employees to follow which describes each significant operational area. The District may not have the ability to perform certain functions if an employee quits or retires before their knowledge is passed on to another employee.

*Cause:* The District has not been told they should develop written policies and procedures.

*Auditor's Recommendations:* The District should develop written policies and procedures for each significant operational area. These documents should be presented to and approved by the Board of Supervisors.

*Management's Response:* Taos SWCD is grateful for the advice and suggestions that the auditor has documented regarding written policies and procedures. The District has reviewed the finding language and as part of our response management has attempted to ensure compliance by implementing the following:

- Taos SWCD currently has two written policies. One is the cost-share program policy which is the major operation or specific function of the District. The other written policy is the Employee policy.
- The District is in the process of updating the Cost-share program policy.
- Taos SWCD has contracted with an HR consultant to update the Employee policy to ensure legal compliance.
- Currently, Taos SWCD follows the NM Procurement Code for all financial transactions. We will develop a written internal policy for financial transactions and procurement.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF OTHER FINDINGS AS REQUIRED BY NEW MEXICO  
STATE STATUTE, SECTION 12-6-5, NMSA 1978  
Year Ended June 30, 2016**

**2016-003 Inadequate Computer Backup Procedures – Other Matters**

*Condition:* The District performs a backup of each computer on a monthly basis. However, the backups are kept next to each computer. Both the computers and backups would be lost in the event of a fire or theft.

*Criteria:* Computer backups should be taken offsite.

*Effect:* The District could lose all of its computer data in the event of a fire, theft, or other data. This would hamper the ability of the District to process payroll, prepare financial statements, and continue operations.

*Cause:* Computer backups are not being taken offsite.

*Auditor's Recommendations:* The District should take all computer backups offsite.

*Management's Response:* Taos SWCD is grateful for the advice and suggestions that the auditor has documented regarding internal controls over payroll and human resources. The District has reviewed the finding language and as part of our response management has attempted to ensure compliance by implementing the following:

- The District has currently contracted a HR consultant to review all HR policies. We will audit personnel files to ensure compliance with HR policy. Additionally, we will adopt a personnel transaction review policy that will ensure accurate application of payroll and benefits with supporting documentation.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF OTHER FINDINGS AS REQUIRED BY NEW MEXICO  
STATE STATUTE, SECTION 12-6-5, NMSA 1978  
Year Ended June 30, 2016**

**2016-004 Internal Controls Over Payroll and Human Resources – Other Matter**

*Condition:* As part of our audit we tested reviewed the design of the internal controls over payroll and human resources, and tested the implementation of those internal controls by testing ten payroll disbursements. We found the following internal control deficiencies:

- For one of the ten disbursements tested we found that an employee took leave without a leave request form being completed. The District requires leave request forms to be completed and approved before leave is taken.
- For one of the ten disbursements tested we found that vacation was being accrued at an incorrect rate.
- For eight of the ten disbursements tested we found that the employee's personnel file did not contain a completed Form I-9.
- For one of the ten disbursements tested we found that the employee's time card was not approved.

*Criteria:* The District should have support for all payroll transactions. All transactions should be reviewed each pay period to ensure they are correct. All required personnel forms should be completed and kept for each employee.

*Effect:* The district could not support each payroll transaction recorded in its payroll system.

*Cause:* Insufficient review of payroll transactions and personnel files.

*Auditor's Recommendations:* The District should develop a procedure to review all payroll transactions and their supporting documentation. The District should also consider performing a personnel file audit to determine if all required forms are present and completed for each employee.

*Management's Response:* Taos SWCD is grateful for the advice and suggestions that the auditor has documented regarding internal controls over payroll and human resources. The District has reviewed the finding language and as part of our response management has attempted to ensure compliance by implementing the following:

- The District has currently contracted a HR consultant to review all HR policies. We will audit personnel files to ensure compliance with HR policy. Additionally, we will adopt a personnel transaction review policy that will ensure accurate application of payroll and benefits with supporting documentation.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF OTHER FINDINGS AS REQUIRED BY NEW MEXICO  
STATE STATUTE, SECTION 12-6-5, NMSA 1978  
Year Ended June 30, 2016**

**2016-005 Travel and Per Diem Disbursements – Other Matter**

*Condition:* We tested twenty-five travel and per diem disbursements as part of our audit. For one of the twenty-five disbursements tested we found that the number of miles driven was added incorrectly. As a result, an employee was underpaid for 101 miles for approximately \$60 in underpayment to the employee.

*Criteria:* The Per Diem and Mileage Act (10-8-1 to 10-8-5, NMSA 1978) (Act) and corresponding Administrative Code govern the payment of travel and per diem expenses for the District. Section 10-8-4D of the Act states that every public officer or employee shall receive up to the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

*Effect:* The District has underpaid an employee for travel.

*Cause:* Insufficient review of travel and per diem requests.

*Auditor's Recommendations:* The District should develop a procedure to review all travel and per diem requests. The person performing the review should initial the request indicating the review has been performed.

*Management's Response:* Taos SWCD is grateful for the advice and suggestions that the auditor has documented regarding travel and per diem disbursements. The District has reviewed the finding language and as part of our response management has attempted to ensure compliance by implementing the following:

- Currently, all per diem and mileage requests are reviewed by the administrative assistant. We will now require that the managerial assistant review these requests for accuracy. The case of an individual reviewing their own requests for reimbursement will not be allowed. All reviews will be signed or initialed by the person performing the review.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF OTHER FINDINGS AS REQUIRED BY NEW MEXICO  
STATE STATUTE, SECTION 12-6-5, NMSA 1978  
Year Ended June 30, 2016**

**2016-006 Insufficient Pledged Collateral on Public Deposits – Other Matter**

*Condition:* The District has deposits in a financial institution which does not provide pledged collateral on deposits in excess of allowable federally backed insurance programs such as the FDIC or NCUA. The financial institution is covered by SIPC insurance, which is not a federally backed program.

In addition, the District has a certificate of deposit with a balance in excess of FDIC insurance coverage. The financial institution has not provided pledged collateral as required by the Act noted below.

*Criteria:* The Public Money Act (6-10-1 to 6-10-63, NMSA 1978) (Act) section 6-10-10-A requires deposits to be insured by an agency of the United States. Section 6-10-16-1 of the Act requires public money to be secured by pledged collateral as defined in Section 6-10-16 of the Act in amounts required by Section 6-10-15 of the Act. As applied to the District, these two sections of the Act mean that 50% of the balance of deposits not covered by FDIC insurance should have pledged collateral provided by the financial institution.

*Effect:* The District has uninsured and uncollateralized public funds. The District could sustain a loss in the event of the failure of the financial institution.

*Cause:* The District's management is not familiar with the requirements of the Act..

*Auditor's Recommendations:* The District read and understand the requirements of the Act. The District should then consider changing its deposit structure so that it is in compliance with the Act.

*Management's Response:* Taos SWCD is grateful for the advice and suggestions that the auditor has documented regarding pledged collateral on public deposits. The District has reviewed the finding language and as part of our response management will ensure compliance by implementing the following:

- The District will continue to place deposits of public monies in financial institutions that are backed by an agency of the United States as per 6-10-10-A of the Public Money Act (NMSA 1978) (Act). All future deposits in excess of the FDIC maximum coverage will be placed in institutions that will pledge collateral in the amount specified in 6-10-15 and 6-10-16 of the Act.

**STATE OF NEW MEXICO  
TAOS SOIL AND WATER CONSERVATION DISTRICT  
EXIT CONFERENCE  
Year Ended June 30, 2016**

An exit conference was held on October 14, 2016, and attended by the following:

State of New Mexico Taos Soil and Water Conservation District

Peter Vigil, District Manager  
Maureen Johnson, Chairman of the Board of Supervisors  
Tanya Duncan, Managerial Assistant  
Charlotte Martinez, Administrative Assistant

Porch & Associates LLC

Thad Porch, Partner

\* \* \* \* \*

The financial statements were prepared by Porch & Associates LLC from the books and records of the District. However, the contents of these financial statements remain the responsibility of the District's management.