

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT

Financial Statements, Supplementary Information
and
Independent Auditor's Report

June 30, 2017

STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT

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STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT

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STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT

List of Principal Officials

June 30, 2017

Board of Supervisors

Maureen Johnson	Chair
Stephen C. Trujillo	Vice-Chair
Dennis Cruz	Secretary and Treasurer
Andy Martinez	Supervisor
Mary Lane Leslie	Supervisor
Lloyd Archuleta	Supervisor
George Long	Supervisor

Administrative Officials

Peter Vigil	District Manager
Tanya Duncan	Finance Director
Charlotte Martinez	Office Manager

Independent Auditor's Report

Mr. Wayne Johnson, 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management'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. Wayne Johnson, 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, 2017, 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.

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.

Accounting principles generally accepted in the United States of America require that the Schedule of the District's Proportionate Share of the Net Pension Liability of the Public Employees Retirement Association Plan's Municipal General Division, the Schedule of the District's Contributions to the Public Employees Retirement Association Plan's Municipal General Division, and the related footnotes, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mr. Wayne Johnson, 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

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements and budgetary comparison for the general fund. 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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government auditing standards*, we have also issued our report dated December 6, 2017 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
December 6, 2017

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
June 30, 2017**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,608,897
Cash - restricted for debt service	183,822
Cash - restricted for construction and acquisition	54,527
Mil levy receivable	364,685
Grant receivable	2,822
Prepaid expenses	2,864
Inventory	34,647
Capital assets, net	<u>2,760,349</u>
Total assets	<u>5,012,613</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>246,474</u>
LIABILITIES	
Accounts payable	27,520
Accrued payroll, taxes, and benefits	9,761
Compensated absences, due in one year	8,626
Long-term debt, due in one year	97,910
Long-term debt, due in more than one year	2,259,829
Net pension liability	<u>578,354</u>
Total liabilities	<u>2,982,000</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>5,741</u>
NET POSITION	
Net investment in capital assets	460,001
Restricted for debt service	183,822
Unrestricted	<u>1,627,523</u>
Total net position	<u><u>\$ 2,271,346</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 ACTIVITIES
Year Ended June 30, 2017**

	Governmental Activities
EXPENSES	
Acequia projects	\$ 235,895
Administration	45,768
Animal damage	4,873
Bonding and insurance	68,719
Contract labor	175,354
Education and outreach	24,557
Fire prevention	69,727
Grant projects	4,424
Invasive species projects	5,837
Other costs	26,609
Personnel services	394,837
Range improvement projects	5,952
Special projects	1,599
Stream restoration projects	320
Supplies	17,097
Training	7,390
Travel and per diem	24,430
Utilities	15,509
Water program	1,058
Office and field equipment	79,848
Pension expense	38,269
Debt service - interest	49,141
Total expenses	<u>1,297,213</u>
Program Revenues	
Inventory sales	18,246
Operating grant	9,448
Total program revenues	<u>27,694</u>
Net program expense	<u>(1,269,519)</u>
General Revenues	
Mil levy	1,097,254
State allocation	13,699
Interest and investment income	18,639
Total general revenues	<u>1,129,592</u>
Change in Net Position	(139,927)
Net position, beginning	<u>2,411,273</u>
Net position, ending	<u><u>\$ 2,271,346</u></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, 2017**

	General	Debt Service	Total
ASSETS			
Cash and cash equivalents	\$ 1,608,897	-	1,608,897
Cash - restricted for debt service	-	183,822	183,822
Cash - restricted for construction and acquisition	54,527	-	54,527
Mil levy receivable	364,685	-	364,685
Accounts Receivable	2,822	-	2,822
Inventory	34,647	-	34,647
	<hr/>		
Total assets	\$ 2,065,578	183,822	2,249,400
	<hr/> <hr/>		
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 27,520	-	27,520
Accrued payroll, taxes, and benefits	9,761	-	9,761
	<hr/>		
Total liabilities	37,281	-	37,281
	<hr/>		
Deferred Inflows			
Unavailable revenue - mil levy	320,272	-	320,272
	<hr/>		
Fund Balance			
Nonspendable - inventory	34,647	-	34,647
Restricted for:			
Debt service	-	183,822	183,822
Assigned for:			
Conservation projects	868,864	-	868,864
Subsequent year's expenditures	695,782	-	695,782
Construction and acquisition	54,527	-	54,527
Unassigned	54,205	-	54,205
	<hr/>		
Total fund balance	1,708,025	183,822	1,891,847
	<hr/>		
Total liabilities, deferred inflows, and fund balance	\$ 2,065,578	183,822	2,249,400
	<hr/> <hr/>		

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, 2017**

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

Total fund balances - governmental funds	\$	1,891,847
Prepaid expenses are expensed for modified accrual, but not for full accrual.		2,864
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		2,760,349
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		320,272
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		(8,626)
Loans payable		(2,357,739)
Net pension liability		(578,354)
		(2,944,719)
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.		246,474
Deferred inflows of resources related to pensions are not received in the current period and, therefore, are not reported in the governmental funds.		(5,741)
		(5,741)
Net position - governmental activities	\$	2,271,346
		2,271,346

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, 2017**

	General	Debt Service	Total
Revenues			
Mil levy	\$ 1,032,394	-	1,032,394
State allocation	13,699	-	13,699
Inventory sales	18,246	-	18,246
Interest and investment income	16,575	2,064	18,639
Grants	9,448	-	9,448
Total revenues	1,090,362	2,064	1,092,426
Expenditures			
Current:			
Acequia projects	235,895	-	235,895
Administration	48,632	-	48,632
Animal damage	4,873	-	4,873
Bonding and insurance	68,719	-	68,719
Contract labor	175,354	-	175,354
Education and outreach	24,557	-	24,557
Fire prevention	69,727	-	69,727
Grant projects	4,424	-	4,424
Invasive species projects	5,837	-	5,837
Other costs	711	-	711
Personnel services	392,685	-	392,685
Range improvement projects	5,952	-	5,952
Special projects	1,599	-	1,599
Stream restoration projects	320	-	320
Supplies	17,097	-	17,097
Training	7,390	-	7,390
Travel and per diem	24,430	-	24,430
Utilities	15,509	-	15,509
Water program	1,058	-	1,058
Office and field equipment	8,726	-	8,726
Capital outlay	2,454,241	-	2,454,241
Debt service - principal	-	93,440	93,440
Debt service - interest	-	49,141	49,141
Total expenditures	3,567,736	142,581	3,710,317
Excess of expenditures over revenues	(2,477,374)	(140,517)	(2,617,891)
Other Financing Sources (Uses)			
Operating transfers out	(169,165)	-	(169,165)
Operating transfers in	-	169,165	169,165
Total other financing sources (uses)	(169,165)	169,165	-
Change in fund balances	(2,646,539)	28,648	(2,617,891)
Fund balance, beginning of year	4,354,564	155,174	4,509,738
Fund balance, end of year	\$ 1,708,025	183,822	1,891,847

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, 2017**

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

Net changes in fund balances - governmental funds \$ (2,617,891)

Prepaid expenses are expensed for modified accrual, but not for full accrual. 2,864

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	(25,898)	
Capital outlay	<u>2,383,119</u>	2,357,221

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 64,860

Accrued compensated absences are expensed under the accrual method, and not the modified accrual method. (2,152)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 93,440

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>(38,269)</u>
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Change in net position - governmental activities \$ (139,927)

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, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Mil levy	\$ 908,000	908,000	1,029,584	121,584
State allocation	15,000	15,000	13,699	(1,301)
Inventory sales	15,000	15,000	15,424	424
Interest and investment income	16,500	28,500	16,207	(12,293)
Grants	35,000	35,000	30,431	(4,569)
Total revenues	989,500	1,001,500	1,105,345	103,845
Expenditures				
Acequia projects	307,500	307,500	222,617	84,883
Administration	57,000	57,000	48,632	8,368
Animal damage	9,000	9,000	4,873	4,127
Bonding and insurance	72,500	72,500	68,719	3,781
Contract labor	243,100	243,100	175,354	67,746
Education and outreach	24,500	24,500	24,557	(57)
Fire prevention	91,000	91,000	69,727	21,273
Grant projects	35,000	35,000	4,424	30,576
Invasive species projects	7,000	7,000	5,837	1,163
Other costs	1,000	7,500	711	6,789
Personnel services	390,500	390,500	394,399	(3,899)
Range improvement projects	31,500	31,500	5,952	25,548
Special projects	20,000	20,000	1,599	18,401
Stream restoration projects	20,500	20,500	320	20,180
Supplies	19,000	19,000	17,097	1,903
Training	6,000	11,000	7,390	3,610
Travel and per diem	27,900	27,900	24,430	3,470
Utilities	15,000	15,000	15,509	(509)
Water program	10,000	10,000	1,058	8,942
Aerial imagery	10,219	10,219	-	10,219
Office and field equipment	30,000	30,000	8,726	21,274
Capital outlay	300,000	2,510,143	2,454,242	55,901
Total expenditures	1,728,219	3,949,862	3,556,173	393,689
Deficiency of revenues over expenditures	(738,719)	(2,948,362)	(2,450,828)	497,534
Other financing sources (uses)				
Transfers out	(143,000)	(169,303)	(169,165)	(338,468)
Total other financing sources (uses)	(143,000)	(169,303)	(169,165)	(338,468)
Net change in fund balance	(881,719)	(3,117,665)	(2,619,993)	159,066
Prior year cash appropriated	881,719	3,117,665		
	<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, 2017**

Non-GAAP budgetary basis revenues	\$ 1,105,345
Change in:	
Mil levy receivable	67,670
Accounts receivable	2,822
Grant receivable	(20,983)
Inventory	368
Unavailable revenue - mil levy	<u>(64,860)</u>
GAAP revenues	<u>\$ 1,090,362</u>
Non-GAAP budgetary basis expenditures	\$ 3,556,172
Change in:	
Accounts payable	13,278
Accrued payroll, taxes, and benefits	<u>(1,714)</u>
GAAP expenditures	<u>\$ 3,567,736</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, 2017**

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, 2017**

**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 10th and May 10th. 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, 2017**

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

A. Financial Reporting Entity (Continued)

Imposed nonexchange revenue other than property taxes are 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, 2017**

**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, 2017**

**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 period 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, 2017**

**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, 2017**

**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 \$54,527 at June 30, 2017. 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 \$868,864 assigned to committed conservation projects, and \$695,782 assigned to balance the excess of expenditures over revenues in the 2017 – 2018 budget.

Nonmajor Funds

The debt service fund has \$183,822 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, 2017**

**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, 2017**

**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, 2017, the District adopted the following Government Accounting Standards Board Statements (GASB):

GASB No. 77 – Tax Abatement Disclosures. The objective of this Statement is to assist the users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services, (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. 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, 2017**

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, 2017, the District's cash and cash equivalent balances of \$1,856,565 were exposed to credit risk in the amount of \$1,088 as follows:

Uninsured and uncollateralized	<u>\$ 1,088</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, 2017**

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2017 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental Activities					
Capital assets, not depreciated					
Land	\$ 339,621	-	-	-	339,621
Buildings - construction in process	30,136	-	-	(30,136)	-
Total, not depreciated	\$ 369,757	-	-		339,621
Capital assets, depreciated					
Buildings and improvements	\$ 13,742	2,360,131	-	30,136	2,404,009
Vehicles	76,044	22,988	-		99,032
Software	12,190	-	-		12,190
Office equipment	19,540	-	-		19,540
Total, depreciated	121,516	2,383,119	-		2,534,771
Accumulated depreciation for:					
Buildings and improvements	10,079	10,647	-		20,726
Vehicles	59,613	10,752	-		70,365
Software	6,372	2,199	-		8,571
Office equipment	12,081	2,300	-		14,381
Total accumulated depreciation	88,145	25,898	-		114,043
Total capital assets, depreciated, net	\$ 33,371	2,357,221	-		2,420,728
Total capital assets, depreciated and non-depreciated, net	\$ 403,128	2,357,221	-		2,760,349

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, 2017**

NOTE 4. LONG-TERM OBLIGATIONS

During the year ended June 30, 2017, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Loans	\$ 2,451,179	-	(93,440)	2,357,739	97,910
Net pension liability	361,953	216,401	-	578,354	-
Compensated absences	6,474	8,626	(6,474)	8,626	8,626
Total	<u>\$ 2,819,606</u>	<u>225,027</u>	<u>(99,914)</u>	<u>2,944,719</u>	<u>106,536</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, 2017:

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.	\$ 80,071
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>2,277,668</u>
Total loans payable	<u>\$ 2,357,739</u>

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

The future requirements for notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
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	60,772	43,533	104,305
2023 to 2027	319,146	203,307	522,453
2028 to 2032	359,175	164,944	524,119
2033 to 2037	419,420	106,607	526,027
2038 to 2042	489,282	32,164	521,446
2043 to 2046	393,062	-	393,062
	<u>\$ 2,357,739</u>	<u>733,910</u>	<u>3,091,649</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, 2017**

NOTE 5. INTERFUND OPERATING TRANSFERS

The general fund transferred \$169,165 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, 2017**

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, 2016, available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2016.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 FY16 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY16 annual audit report at:

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2016.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 \$31,074 for the year ended June 30, 2017.

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, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement dated June 30, 2016.

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, 2016.

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 7. PERA PENSION PLAN (CONTINUED)

Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016, were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2016 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, 2017, the District reported a liability of \$578,354 for its proportionate share of the net pension liability. At June 30, 2016, the District's proportion was 0.0362%, which increased from its proportion of 0.0355% measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized PERA Municipal General Division pension expense of \$69,343. At June 30, 2017, the District reported PERA Municipal General Division deferred outflows of resources and deferred inflows of resources of \$246,474 and \$5,741, respectively, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,897	5,645
Net difference between projected and actual earnings on pension plan investments	106,416	-
Change of assumption	33,914	96
Change in proportion	46,173	-
District contributions subsequent to the measurement date	31,074	-
	<u>\$ 246,474</u>	<u>5,741</u>

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 7. PERA PENSION PLAN (CONTINUED)

\$31,074 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date June 30, 2016, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

2017	\$ 55,664
2018	55,664
2019	71,245
2020	27,086
2021	<u>-</u>
	<u>\$ 209,659</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, 2015, 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, 2016, 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, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016, actuarial valuation.

Actuarial valuation date	June 30, 2015
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	7.48% annual rate, net of investment expense
– Projected benefit payment	100 years
– Payroll growth	2.75% for first 10 years, then 3.25% annual rate
– Projected salary increases	3.00% to 14.00% annual rate
– Included inflation at	2.25% annual rate first 10 years, 2.75% all other years

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 7. PERA PENSION PLAN (CONTINUED)

- Mortality assumption RP-2000 Mortality Tables (Combined table for healthy post-retirements, 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 (demographic) and July 1, 2010 through June 20, 2015 (economic)

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 times 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
Global Equity	43.5 %	7.39 %
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Absolute Return	20.0	7.35
Total	100.0 %	

Discount Rate – The discount rate used to measure the total pension liability was 7.48 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 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.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

The discount rate used to measure the total pension liability in the prior year was 7.75 percent.

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

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 presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.48%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48%) or 1-percentage-point higher (8.48%) than the current rate:

	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
PERA Municipal General Division			
District's proportionate share of the net pension liability	\$ 862,274	578,354	342,856

Pension plan fiduciary net position – Detailed information about the pension's fiduciary net position is available in the separately issued FY15 Restated 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, 2017**

NOTE 10. RELATED PARTY TRANSACTIONS

The District awarded project funds in the amount of \$29,750 to two board members, and \$12,053 to one employee's family. The project determinations were done using a blind process (the Board did not know who the landowners were when approving the projects). The Board members recused themselves when their projects were voted upon.

NOTE 11. SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 6, 2017, the date the financial statements were available to be issued. Subsequent to June 30, 2017, the District had no material subsequent events.

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, 2017

	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0362%	0.0355%	0.0284%
District's proportionate share of the net pension liability (asset)	\$ 578,354	361,953	221,550
District's covered-employee payroll	\$ 341,236	324,987	326,920
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	169%	111%	68%
Plan fiduciary net position as a percentage of the total plan liability	69.18%	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, 2017

	2017	2016	2015
Contractually required contributions	\$ 31,074	29,610	28,034
Contributions in relation to the contractually required contribution	31,074	29,610	28,034
Contribution deficiency (excess)	\$ -	-	-
District's covered-employee payroll	\$ 341,236	324,987	326,920
Contributions as a percentage of covered-employee payroll	9.1%	9.1%	8.6%

* The amounts presented were determined as of June 30, 2017. 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, 2017**

Changes in Benefit Terms – The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA CAFR, which is available at:

<https://www.saonm.org>.

Changes of Assumptions – The Public Employees Retirement Association of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at:

<http://www.nmpera.org>.

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2017**

Depository	Account Name	Type	Depository Balance	Reconciled Balance
Peoples Bank	Peoples Unbelievable	Interest bearing checking	\$ 178,868	178,869
Peoples Bank	Peoples Money Market	Money market	17,232	17,232
Peoples Bank	Peoples Payroll	Interest bearing checking	23,647	23,647
Centinel Bank	Centinel Money Market	Interest bearing checking	249,447	249,447
US Bank	US Bank Checking	Interest bearing checking	165,621	156,303
US Bank	US Bank Hunt's Pond	Interest bearing checking	1,364	1,364
US Bank	US Bank Money Market	Money market	150	150
LPL Financial	LPL Financial	Gov't. Money market	2,761	2,761
LPL Financial	Discover Bank	Certificate of deposit	248,036	248,035
LPL Financial	Bank of North Carolina	Certificate of deposit	240,000	240,000
LPL Financial	Southern First Bank	Certificate of deposit	240,000	240,000
LPL Financial	Sallie Mae Bank	Certificate of deposit	251,089	251,089
Total cash and cash equivalents held by financial institutions			1,618,215	1,608,897
Funds held in accounts overseen by the NM State Treasurer				
NMSTO	NMFA Debt Service	Interest bearing checking	11,901	11,901
NMSTO	NMFA Reserve Acct.	Interest bearing checking	37,372	37,372
NMSTO	NMFA Debt Service	Interest bearing checking	26,969	26,969
NMSTO	NMFA Reserve Acct.	Interest bearing checking	107,580	107,580
NMSTO	NMFA Program Funds	Interest bearing checking	54,527	54,527
Total cash and cash equivalents held by NM State Treasurer			238,349	238,349
Total cash and cash equivalents			\$ 1,856,564	1,847,246

**STATE OF NEW MEXICO
 TAOS SOIL AND WATER CONSERVATION DISTRICT
 SCHEDULE OF PLEDGED COLLATERAL
 June 30, 2017**

	Peoples Bank	Centinel Bank	US Bank	LPL Financial CDs	Total
Deposits at June 30, 2017	\$ 219,747	249,447	167,136	981,885	1,618,215
Less: FDIC coverage	219,747	249,447	167,136	980,797	1,617,127
Uninsured public funds	-	-	-	1,088	1,088
Pledged collateral held by the pledging bank's trust department or agent but not in the District's name	-	-	-	-	-
Uninsured and uncollateralized	\$ -	-	-	1,088	1,088
50% pledged collateral requirement per statute	\$ -	-	-	544	544
Total pledged collateral	-	-	-	-	-
Pledged collateral over (under) the requirement	\$ -	-	-	(544)	(544)

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.

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. Wayne Johnson, 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, 2017, 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 December 6, 2017.

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. Wayne Johnson, 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, 2016-004, 2016-006, and 2017-001.

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
December 6, 2017

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017**

Findings from Year Ended June 30, 2016:	Current Status:
2016-001 Inadequate Segregation of Duties	Repeated and updated
2016-002 Written Policies and Procedures	Repeated and updated
2016-003 Inadequate Computer Backup Procedures	Resolved
2016-004 Internal Controls over Payroll and Human Resources	Repeated and updated
2016-005 Travel and Per Diem Disbursements	Resolved
2016-006 Insufficient Pledged Collateral on Public Deposits	Repeated and updated

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2017**

2016-001 Inadequate Segregation of Duties – Material Weakness

Condition: The District Manager has delegated more of the accounting, reconciling, approving, and record keeping functions of the District to a person unrelated to these activities. There are still a few areas that could allow the possibility that fraud could be committed and not detected. Examples of the inadequate segregation of duties are as follows:

- 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.

Progress Towards Implementing the Prior Year Corrective Action Plan: The District Manager has taken steps to ensure review and segregation of duties. The following controls have been implemented:

- Keys to the locking cabinet containing check stock are now unavailable to the manager. The administrative assistant controls the keys.
- The monthly cash disbursement report is now reviewed against the reconciliation by a second individual. The reviewer signs and dates the reports.
- Receipts are required for all debit card transactions. The receipts are reviewed and reconciled to the monthly statement. These are also reviewed by a second individual.
- All time cards are reviewed by the administrative assistant and the District manager.

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.

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2017**

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

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.
- 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:

- All reconciliations are now being reviewed by a person other than the person who prepares the reconciliation. The person performing the review function has begun to add their signature and the date to the reconciliations to document this additional step.

Timeline: 11/1/17 – completed
Responsible Employee: District Manager (Finance Director reconciles)

- Prior to making any conservation project discretionary payments not already budgeted for by the Board of Supervisors, the District Manager will request approval from the Board Chairman. If the Chairman is not available, the District Manager will request approval from the Vice-Chairman or Secretary-Treasurer. A District Manager's Discretionary Payment Log will be kept of all non-budgeted discretionary transactions. This log will be reviewed monthly by the Board of Supervisors.

Timeline: 1/17/18 regular board meeting – first discretionary payment log to be presented to TSWCD Board of Supervisors.
Responsible Employee: District Manager

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2017**

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.

Progress Towards Implementing the Prior Year Corrective Action Plan: The District is in the process of updating the cost-share program policy. They have contracted with an HR consultant to update the Employee policy to ensure legal compliance. The District has had additional staff trained for CPO certification, and a small purchase policy has been completed.

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 has recently completed revisions and updates to the Personnel Policy.

Timeline: 10/17/17 – completed at regular board meeting

Responsible Employee: District Manager, Board of Supervisors

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2017**

2016-002 Written Policies and Procedures – Other Matters (Continued)

- Taos SWCD is in the process of revising the Cost-Share Policy.

Timeline: 2/1/18 to 6/30/18

Responsible Employee: District Manager, Finance Director

- Taos SWCD is in the process of developing written operating procedures, including procurement and financial transactions, for each significant operational area. These documents will be presented to and approved by the Board of Supervisors.

Timeline: 11/1/17 – 6/30/18

Responsible Employee: Finance Director

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2017**

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 vacation was being accrued at an incorrect rate.
- For one of the ten disbursements tested we found that the employee's personnel file did not contain a completed Form I-9.
- An outside accountant prepares the payroll, but does not send the reports to be reviewed. No one at the District reviews the total payroll report for accuracy after payroll is processed.

Progress Towards Implementing the Prior Year Corrective Action Plan: The District Manager reviews insurance and fringe benefit transactions quarterly. Review of Federal and State deductions on-going. An audit of personnel files was completed.

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.

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2017**

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

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's HR Consultant has just completed a review of all HR policies. We will continue to audit personnel files to ensure compliance with HR policy. The District's payroll is now done by direct deposit. All payroll reports will be reviewed by the District Manager and the District Manager's payroll reports will be reviewed by the Chairman of the Board (or, if the Chairman is not available, the Vice-Chairman).

Timeline: 11/1/17 – completed

Responsible Employee: District Manager (Finance Director reconciles)

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2017**

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

Condition: 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.

Progress Towards Implementing the Prior Year Corrective Action Plan: The District Board reviews all deposits monthly to ensure compliance with state statute.

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). The District's prior year audit found that the institution holding the District's funds was historically backed by the United States Government thereby securing those funds.

The District has not purchased CDs in excess of \$240,000 so that they do not exceed the \$250K FDIC maximums, even when they accrue interest.

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2017**

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

Nevertheless, 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. That amount will be \$0.50 per \$1.00 or 50% of the fund balance in excess of the FDIC maximum.

Timeline: 12/11/17 – TSWCD cashed out \$5,000 of the one CD that was valued at \$250,000 (causing the balance to exceed the FDIC maximum when interest payments were made but not yet transferred into other insured accounts).

Responsible Employee: Board Chairman (Finance Director confirms)

**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, 2017**

2017-001 Budgetary Compliance (Material Weakness Non-Compliance)

Condition: The District submitted the third quarter DFA budget to actual report late to the DFA-LGD.

Criteria: 6-6-2 NMSA 1978 requires that the District submit a proposed budget to the Local Government Division on or by June 1 of each year. LGD is to then approve and certify the budget by July 1 of each year. The budget should then be adjusted as needed by Board Resolution and LGD approval. In addition, the submittal of quarterly financial reports to the LGD is required.

Effect: The District is not in compliance with budget statutes.

Cause: The District added a debt service fund to its budget. The additional work necessary to add the fund made the budget report late to DFA.

Auditor's Recommendation: The District should prepare and submit their quarterly reports to LGD in a timely manner.

Management Response:

Taos SWCD is grateful for the advice and suggestions that the auditor has documented regarding budgetary compliance. The District has reviewed the finding language and as part of our response management has attempted to ensure compliance by implementing the following:

- All future quarterly budgets will be reported on time.

Timeline: Completed

Responsible Employee: Finance Director

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
EXIT CONFERENCE
Year Ended June 30, 2017**

An exit conference was held on December 11, 2017, and attended by the following:

State of New Mexico Taos Soil and Water Conservation District

Peter Vigil, District Manager
Maureen Johnson, Chair of the Board of Supervisors
Stephen C. Trujillo, Vice-Chair of the Board of Supervisors
Tanya Duncan, Finance Director

Porch & Associates LLC

Thad Porch, Partner

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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.