

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, 2019

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, 2019

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. Brian S. Colón, Esq., 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, 2019, 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. Brian S. Colón, Esq., 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, 2019, 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. Brian S. Colón, Esq., 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 November 15, 2019 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 15, 2019

**STATE OF NEW MEXICO
 TAOS SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF NET POSITION
 June 30, 2019**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,131,831
Cash - restricted for debt service	139,350
Mil levy receivable	372,027
Grant receivable	7,963
Prepaid expenses	11,645
Inventory	16,161
Capital assets, net	<u>2,573,745</u>
Total assets	<u>4,252,722</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>224,710</u>
LIABILITIES	
Accounts payable	16,349
Accrued payroll, taxes, and benefits	17,325
Accrued interest payable	7,792
Compensated absences, due in one year	9,996
Long-term debt, due in one year	59,427
Long-term debt, due in more than one year	2,101,063
Net pension liability	<u>669,636</u>
Total liabilities	<u>2,881,588</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>21,431</u>
NET POSITION	
Net investment in capital assets	424,900
Restricted for debt service	139,350
Unrestricted	<u>1,010,163</u>
Total net position	<u><u>\$ 1,574,413</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, 2019**

	Governmental Activities
EXPENSES	
Acequia projects	\$ 236,695
Administration	42,671
Animal damage	32,799
Bonding and insurance	65,161
Contract labor	26,561
Education and outreach	74,828
Fire prevention	85,052
Grant projects - direct costs	35,348
Invasive species projects	814
Office and field equipment	133,450
Other costs	631
Pension expense	78,567
Personnel services	469,213
Range improvement projects	28,042
Special projects	10,107
Stream restoration projects	4,500
Supplies	14,867
Training	7,215
Travel and per diem	25,968
Utilities	16,578
Debt service - interest	54,357
Total expenses	<u>1,443,424</u>
Program Revenues	
Inventory sales	2,892
Operating grant	36,582
Total program revenues	<u>39,474</u>
Net program expense	<u>(1,403,950)</u>
General Revenues	
Mil levy	1,095,242
State allocation	14,095
Interest and investment income	14,798
Total general revenues	<u>1,124,135</u>
Change in Net Position	(279,815)
Net position, beginning	1,854,228
Net position, ending	<u>\$ 1,574,413</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, 2019**

	General	Debt Service	Total
ASSETS			
Cash and cash equivalents	\$ 1,131,831	-	1,131,831
Cash - restricted for debt service	-	139,350	139,350
Mil levy receivable	372,027	-	372,027
Grant receivable	7,963	-	7,963
Inventory	16,161	-	16,161
	<hr/>		
Total assets	\$ 1,527,982	139,350	1,667,332
	<hr/> <hr/>		
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 16,349	-	16,349
Accrued payroll, taxes, and benefits	17,325	-	17,325
	<hr/>		
Total liabilities	33,674	-	33,674
	<hr/>		
Deferred Inflows			
Unavailable revenue - mil levy	327,769	-	327,769
	<hr/>		
Fund Balance			
Nonspendable - inventory	16,161	-	16,161
Restricted for:			
Debt service	-	139,350	139,350
Assigned for:			
Conservation projects	462,077	-	462,077
Subsequent year's expenditures	405,149	-	405,149
Unassigned	283,152	-	283,152
	<hr/>		
Total fund balance	1,166,539	139,350	1,305,889
	<hr/>		
Total liabilities, deferred inflows, and fund balance	\$ 1,527,982	139,350	1,667,332
	<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, 2019**

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

Total fund balances - governmental funds	\$	1,305,889
Prepaid expenses are expensed for modified accrual, but not for full accrual.		11,645
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		2,573,745
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		327,769
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	(9,996)	
Loans payable	(2,160,490)	
Net pension liability	<u>(669,636)</u>	(2,840,122)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(7,792)
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.		224,710
Deferred inflows of resources related to pensions are not received in the current period and, therefore, are not reported in the governmental funds.		<u>(21,431)</u>
Net position - governmental activities	\$	<u><u>1,574,413</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, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2019**

	General	Debt Service	Total
Revenues			
Mil levy	\$ 1,067,729	-	1,067,729
State allocation	14,095	-	14,095
Inventory sales	2,892	-	2,892
Interest and investment income	11,440	3,358	14,798
Grants - federal	36,582	-	36,582
Total revenues	1,132,738	3,358	1,136,096
Expenditures			
Current:			
Acequia projects	236,695	-	236,695
Administration	43,625	-	43,625
Animal damage	32,799	-	32,799
Bonding and insurance	65,161	-	65,161
Contract labor	26,561	-	26,561
Education and outreach	74,828	-	74,828
Fire prevention	85,052	-	85,052
Grant projects - direct costs	35,348	-	35,348
Invasive species projects	814	-	814
Office and field equipment	2,101	-	2,101
Other costs	631	-	631
Personnel services	468,294	-	468,294
Range improvement projects	28,042	-	28,042
Special projects	10,107	-	10,107
Stream restoration projects	4,500	-	4,500
Supplies	14,867	-	14,867
Training	7,215	-	7,215
Travel and per diem	25,968	-	25,968
Utilities	16,578	-	16,578
Capital outlay	6,819	4,489	11,308
Debt service - principal	-	101,629	101,629
Debt service - interest	-	46,565	46,565
Total expenditures	1,186,005	152,683	1,338,688
Excess of expenditures over revenues	(53,267)	(149,325)	(202,592)
Other Financing Sources (Uses)			
Operating transfers out	(152,126)	-	(152,126)
Operating transfers in	-	152,126	152,126
Total other financing sources (uses)	(152,126)	152,126	-
Change in fund balances	(205,393)	2,801	(202,592)
Fund balance, beginning of year	1,371,932	136,549	1,508,481
Fund balance, end of year	\$ 1,166,539	139,350	1,305,889

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, 2019**

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

Net changes in fund balances - governmental funds		\$ (202,592)
Prepaid expenses are expensed for modified accrual, but not for full accrual.		3,173
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	(134,304)	
Capital outlay	<u>14,263</u>	(120,041)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		27,513
Accrued compensated absences are expensed under the accrual method, and not the modified accrual method.		(919)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		99,410
Accrued interest payable is expensed under the accrual method, and not the modified accrual method.		(7,792)
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>(78,567)</u>
Change in net position - governmental activities		<u><u>\$ (279,815)</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
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Mil levy	\$ 1,004,000	1,004,000	1,012,607	8,607
State allocation	14,000	14,000	14,095	95
Inventory sales	12,000	12,000	2,892	(9,108)
Interest and investment income	15,000	15,000	11,440	(3,560)
Other income	-	49,637	-	(49,637)
Grants	-	40,000	28,619	(11,381)
Total revenues	1,045,000	1,134,637	1,069,653	(64,984)
Expenditures				
Acequia projects	366,322	521,322	235,364	285,958
Administration	43,650	43,650	43,625	25
Aerial imagery and lidar	17,500	17,500	-	17,500
Animal damage	41,250	41,250	32,799	8,451
Bonding and insurance	10,500	10,500	65,161	(54,661)
Capital outlay	20,000	20,000	6,819	13,181
Contract labor	27,389	27,389	26,561	828
Education and outreach	68,500	68,500	74,828	(6,328)
Fire prevention	58,978	58,978	85,052	(26,074)
Grant projects	-	40,000	35,348	4,652
Invasive species projects	7,000	7,000	814	6,186
Office and field equipment	12,000	12,000	2,101	9,899
Other costs	5,800	5,800	631	5,169
Personnel services	497,700	504,700	458,899	45,801
Range improvement projects	36,500	36,500	28,042	8,458
Special conservation projects	19,250	19,250	10,107	9,143
Stream restoration projects	13,500	13,500	4,500	9,000
Supplies	14,000	14,000	14,867	(867)
Training	9,000	9,000	7,215	1,785
Travel and per diem	20,700	20,700	25,968	(5,268)
Utilities	20,200	20,200	16,578	3,622
Water program	23,000	23,000	-	23,000
Total expenditures	1,332,739	1,534,739	1,175,279	359,460
Deficiency of revenues over expenditures	(287,739)	(400,102)	(105,626)	294,476
Other financing sources (uses)				
Transfers out	(144,705)	(148,193)	(152,126)	3,933
Total other financing sources (uses)	(144,705)	(148,193)	(152,126)	3,933
Net change in fund balance	(432,444)	(548,295)	(257,752)	298,409
Prior year cash appropriated	432,444	548,295	257,752	
	\$ -	-	-	

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, 2019**

Non-GAAP budgetary basis revenues	\$ 1,069,653
Change in:	
Mil levy receivable	27,609
Grant receivable	7,963
Unavailable revenue - mil levy	27,513
	<u>27,513</u>
GAAP revenues	<u>\$ 1,132,738</u>
Non-GAAP budgetary basis expenditures	\$ 1,175,279
Change in:	
Inventory	(4,185)
Accounts payable	(2,854)
Accrued payroll, taxes, and benefits	9,395
	<u>9,395</u>
GAAP expenditures	<u>\$ 1,186,005</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, 2019**

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, 2019**

**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, 2019**

**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, 2019**

**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, 2019**

**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, 2019**

**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, 2019**

**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 \$462,077 at June 30, 2019 which are committed to conservation projects, and \$405,149 assigned to balance the excess of expenditures over revenues in the 2019 – 2020 budget.

Nonmajor Funds

The debt service fund has \$139,350 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, 2019**

**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, 2019**

**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. GASB 77 Disclosures (Tax Abatements)

In accordance with 2.2.2.10(BB) NMAC, the District is required to make certain disclosures regarding GASB 77, as applicable. Management of the District is not aware of any tax abatement agreements that existed and require disclosure as of June 30, 2019.

P. Implementation of New Accounting Standards

During the year ended June 30, 2019, the District adopted the following Government Accounting Standards Board Statements (GASB):

GASB No. 83 – *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The statement will not have a material impact on the Districts' financial statements.

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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

P. Implementation of New Accounting Standards (Continued)

GASB No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement will not have a material impact on the District’s financial statements.

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, 2019, the District’s cash and cash equivalent balances of \$1,140,505 were insured by FDIC and SIPC insurance.

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 a AAA or better rating, or repurchase agreements.

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2019 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets, not depreciated				
Land	\$ 339,621	-	-	<u>339,621</u>
Capital assets, depreciated				
Buildings and improvements	\$ 2,472,067	1,536	-	<u>2,473,603</u>
Vehicles	80,356	-	-	<u>80,356</u>
Office equipment	24,227	-	-	<u>24,227</u>
Total, depreciated	<u>2,576,650</u>	<u>1,536</u>	<u>-</u>	<u>2,578,186</u>
Accumulated depreciation for:				
Buildings and improvements	139,769	123,648	-	<u>263,417</u>
Vehicles	61,136	5,810	-	<u>66,946</u>
Office equipment	8,853	4,846	-	<u>13,699</u>
Total accumulated depreciation	<u>209,758</u>	<u>134,304</u>	<u>-</u>	<u>344,062</u>
Total capital assets, depreciated, net	<u>\$ 2,366,892</u>	<u>(132,768)</u>	<u>-</u>	<u>2,234,124</u>
Total capital assets, depreciated and non-depreciated, net	<u>\$ 2,706,513</u>	<u>(132,768)</u>	<u>-</u>	<u>2,573,745</u>

Depreciation expense was charged to other costs in governmental activities.

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 4. LONG-TERM OBLIGATIONS

During the year ended June 30, 2019, the following changes occurred:

	Beginning Balance	Additions	Deletions/ Payments	Ending Balance	Due Within One Year
Notes	\$ 2,259,900	-	(99,410)	2,160,490	59,427
Net pension liability	508,411	161,225	-	669,636	-
Compensated absences	9,077	9,996	(9,077)	9,996	9,996
Total	\$ 2,777,388	171,221	(108,487)	2,840,122	69,423

Notes from Direct Borrowings. 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, 2019:

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. \$ 2,160,490

The future requirements for notes from direct borrowings are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 59,427	44,758	104,185
2021	60,048	44,197	104,245
2022	60,772	43,533	104,305
2023	61,630	42,736	104,366
2024	62,613	41,814	104,427
2025 to 2029	332,482	190,614	523,096
2030 to 2034	381,219	143,628	524,847
2035 to 2039	448,127	78,754	526,881
2040 to 2044	500,952	9,476	510,428
2045 to 2046	193,220	-	193,220
	<u>\$ 2,160,490</u>	<u>639,510</u>	<u>2,800,000</u>

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

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 full-time and 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.

NOTE 5. INTERFUND OPERATING TRANSFERS

The general fund transferred \$152,126 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.

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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.

The PERA coverage option that applies to District is the Municipal General Division.

Eligibility for membership in the Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

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-B.

Benefits provided – Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 7. PERA PENSION PLAN (CONTINUED)

Tier II – The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member’s age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

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, 2017. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement dated June 30, 2018.

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, 2018.

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 7. PERA PENSION PLAN (CONTINUED)

Only employer contributions for the pay period end dates that fell within the period of July 1, 2017 to June 30, 2018, were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2018 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

Statutorily required contributions to the pension plan from the District were \$38,301 for the year ended June 30, 2019.

For the PERA Municipal General Division, at June 30, 2019, the District reported a liability of \$669,636 for its proportionate share of the net pension liability. At June 30, 2018, the District's proportion was 0.0420%, which increased from its proportion of 0.0370% measured as of June 30, 2018.

**STATE OF NEW MEXICO
 TAOS SOIL AND WATER CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019**

NOTE 7. PERA PENSION PLAN (CONTINUED)

For the year ended June 30, 2019, the District recognized PERA Municipal General Division pension expense of \$116,868. At June 30, 2019, the District reported PERA Municipal General Division deferred outflows of resources and deferred inflows of resources of \$224,710 and \$21,431, respectively, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,353	17,581
Net difference between projected and actual earnings on pension plan investments	49,664	-
Change of assumption	60,712	3,850
Change in proportion	56,680	-
District contributions subsequent to the measurement date	38,301	-
	<u>\$ 224,710</u>	<u>21,431</u>

\$38,301 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date June 30, 2018, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

2018	\$ 94,824
2019	45,658
2020	21,852
2021	2,644
2022	-
	<u>\$ 164,978</u>

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 7. PERA PENSION PLAN (CONTINUED)

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, 2017, 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, 2018, 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, 2018. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2018, actuarial valuation.

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	4-year smoothed market value
Actuarial assumptions:	
– Investment rate of return	7.25% annual rate, net of investment expense
– Projected benefit payment	100 years
– Payroll growth	3.00%
– Projected salary increases	3.00% to 13.50% annual rate
– Included inflation at	2.50%, 2.75% all other years
– Mortality assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
– Experience study dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 20, 2018 (economic)

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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 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 %	7.48 %
Risk Reduction & Mitigation	21.5	2.37
Credit Oriented Fixed Income	15.0	5.47
Absolute Return	20.0	6.48
Total	100.0 %	

Discount Rate – The discount rate used to measure the total pension liability was 7.25 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. 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 7.48 percent.

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
PERA Municipal General Division			
District's proportionate share of the net pension liability	\$ 1,031,863	669,636	370,196

Pension plan fiduciary net position – Detailed information about the pension's fiduciary net position is available in the separately issued FY18 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, 2019**

NOTE 10. RELATED PARTY TRANSACTIONS

The District awarded project funds in the amount of \$1,000 to a board member, and \$2,250 to one Board member'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 November 15, 2019, the date the financial statements were available to be issued. Subsequent to June 30, 2019, 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, 2019

	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0420%	0.0370%	0.0362%	0.0355%	0.0284%
District's proportionate share of the net pension liability (asset \$	669,636	\$ 508,411	\$ 578,354	361,953	221,550
District's covered-employee payroll	\$ 401,056	\$ 354,172	\$ 341,236	324,987	326,920
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	167%	144%	169%	111%	68%
Plan fiduciary net position as a percentage of the total plan lia	71.13%	73.74%	69.18%	76.99%	81.29%

* The amounts presented were determined as of June 30, 2019. 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, 2019

	2019	2018	2017	2016	2015
Contractually required contributions	\$ 38,301	\$ 33,823	\$ 31,074	29,610	28,034
Contributions in relation to the contractually required contribution	38,301	33,823	31,074	29,610	28,034
Contribution deficiency (excess)	\$ -	\$ -	\$ -	-	-
District's covered-employee payroll	\$ 401,056	\$ 354,172	\$ 341,236	324,987	326,920
Contributions as a percentage of covered-employee payroll	9.6%	9.5%	9.1%	9.1%	8.6%

* The amounts presented were determined as of June 30, 2019. 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, 2019**

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, 2018 report is available at:

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

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2019**

Depository	Account Name	Type	Depository Balance	Reconciled Balance
Hillcrest Bank	Hillcrest Unbelievable	Interest bearing checking	\$ 104,752	104,752
Hillcrest Bank	Hillcrest Money Market	Money market	65,438	65,438
Hillcrest Bank	Hillcrest Payroll	Interest bearing checking	19,605	19,605
Centinel Bank	Centinel Money Market	Interest bearing checking	10,016	10,016
US Bank	US Bank Checking	Interest bearing checking	207,175	198,501
US Bank	US Bank Money Market	Money market	1,091	1,091
LPL Financial	LPL Financial	Gov't. Money market	703	703
LPL Financial	American Express	Certificate of deposit	244,801	244,801
LPL Financial	JP Morgan Chase	Certificate of deposit	241,924	241,924
LPL Financial	TCF Natl. Bank	Certificate of deposit	245,000	245,000
Total cash and cash equivalents held by financial institutions			<u>1,140,505</u>	<u>1,131,831</u>
Funds held in accounts overseen by the NM State Treasurer				
NMSTO	NMFA Debt Service	Interest bearing checking	30,688	30,688
NMSTO	NMFA Reserve Acct.	Interest bearing checking	108,662	108,662
Total cash and cash equivalents held by NM State Treasurer			<u>139,350</u>	<u>139,350</u>
Total cash and cash equivalents			<u>\$ 1,279,855</u>	<u>1,271,181</u>

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2019**

	Hillcrest Bank	Centinel Bank	US Bank	LPL Financial	Total
Deposits at June 30, 2019	\$ 189,795	10,016	208,266	732,428	1,140,505
Less: FDIC and SIPC coverage	189,795	10,016	208,266	732,428	1,140,505
Uninsured public funds	-	-	-	-	-
Pledged collateral held by the pledging bank's trust department or agent but not in the District's name	-	-	-	-	-
Uninsured and uncollateralized	\$ -	-	-	-	-
50% pledged collateral requirement per statute	\$ -	-	-	-	-
Total pledged collateral	-	-	-	-	-
Pledged collateral over (under) the requirement	\$ -	-	-	-	-

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.

The reason is that 2a-7 type accounts are government money market funds as defined under the Investment Company Act of 1940, as amended. Government money market funds are required to invest at least 99.5% of their assets in (i) cash, (ii) securities issued or guaranteed by the United States or certain U.S. government agencies or instrumentalities and/or (iii) repurchase agreements that are fully collateralized. As a result, the government money market fund contains investments that are not require to be collateralized by 6-10 NMSA.

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. Brian S. Colón, Esq., 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, the aggregate remaining fund information 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, 2019, 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 15, 2019.

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 entity'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. Brian S. Colón, Esq., 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material 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 findings and responses as item 2019-001.

The District's Response to Findings

The District's responses to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of 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 15, 2019

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2019**

Findings from Year Ended June 30, 2018:

Current Status:

None

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2019**

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion.
2. There were no findings which were material weaknesses, significant deficiencies, or material noncompliance.
3. There were no instances of noncompliance material to the financial statements.

Current Year Findings

2019-001 Per Diem and Mileage Act Compliance (Other Noncompliance)

Condition: As part of our testwork over travel and per diem we reviewed the District's policy for compliance with the Per Diem and Mileage Act, section 10-8-1, NMSA 1978 (Act). We found that the District's policy provided for per diem rates in excess of the maximums allowed by the Act. As a result, four of the twenty-five travel and per diem reimbursements tested paid amounts in excess of the Act. The total of the overpayment for the four items was \$81.70.

Criteria: The Per Diem and Mileage Act, section 10-8-1, NMSA 1978, sets the maximum allowable reimbursable rates for travel and per diem.

Effect: The District's policy is in violation of the Act. The District has overpaid employees for travel and per diem.

Cause: The District adopted the New Mexico Department of Agriculture's (Department) travel and per diem policy. The Department's policy may have been written for costs associated with federal grant reimbursements, which are greater than those provided for by the Act.

Auditor's Recommendation: The Board should adopt a travel and per diem policy that complies with the Act.

Management Response:

Corrective Action(s): The Taos SWCD board of supervisor's voted at the duly noticed November 20, 2019 meeting to adopt a current travel and per dime policy that complies with NM Per Diem and Mileage Act. Additionally, all reimbursements made from July 1, 2019 through November 20, 2019 will be checked for accuracy with the new policy. If errors are found, the District will make an effort to collect any over payments that do not comply with NM statute.

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2019**

**2019-001 Per Diem and Mileage Act Compliance (Other Noncompliance)
(Continued)**

Responsible person(s): The District Manager is responsible for all administrative operations, policy compliance and staff assignments regarding the finding.

Timeline of corrective action: The implementation of corrective actions in regard to the finding commenced on November 20, 2019. The resulting analysis of FYE 2020 transactions is currently underway and a report of any potential non-compliance payments in excess of the statute will be presented to the Taos SWCD governing body at the December 18, 2019 meeting. The District anticipates that all over payment corrective action will be complete by the beginning of 2020.

**STATE OF NEW MEXICO
TAOS SOIL AND WATER CONSERVATION DISTRICT
EXIT CONFERENCE
Year Ended June 30, 2019**

An exit conference was held on December 2, 2019, 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

Dennis Cruz, Secretary/Treasurer

Tanya Duncan, Finance Director

Porch & Associates LLC

Thad Porch, Managing Principal

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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.