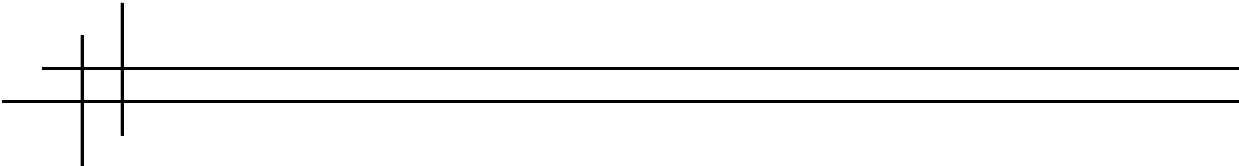


STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

ANNUAL FINANCIAL REPORT
June 30, 2015

De'Aun Willoughby CPA, PC
Certified Public Accountant
Clovis, New Mexico



STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
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STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Official Roster
June 30, 2015

BOARD OF SUPERVISORS

Rita Gallegos	Chairperson
Napoleon Quintana	Vice-Chairperson
Alvin Martinez	Secretary/Treasurer
Dennis Rivera	Supervisor
Gabe Estrada	Supervisor

DISTRICT PERSONNEL

Frances Martinez	District Manager
Carla Garduno	Administrative Assistant

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report

Mr. Tim Keller
State Auditor of the State of New Mexico
Board of Supervisors and District Personnel

Mr. Keller and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, and the budgetary comparison of Tierra Y Montes Soil & Water Conservation District (District), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management'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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 general fund of the District as of June 30, 2015, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the 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 Schedules of Required Supplementary Information for the Pension Plan 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.

Other Information

The Vendor Schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

De'Ann Willoughby CPA PC

Clovis, New Mexico
November 24, 2015

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
 Government-Wide Statement of Net Position
 June 30, 2015

Assets	
Cash in Banks	\$ 1,594,895
Property Taxes	6,598
Restricted Cash	20,247
Capital Assets, net	228,129
Total Assets	<u>1,849,869</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	17,545
Total Deferred Outflows of Resources	<u>17,545</u>
Liabilities	
Accounts Payable	4,591
Accrued Payroll	8,346
Current Portion of Long-Term Debt	14,316
Compensated Absences	23,373
Pension Liability	139,629
Loans Payable	54,241
Total Liabilities	<u>244,496</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	54,726
Total Deferred Inflows of Resources	<u>54,726</u>
Net Position	
Net Investment in Capital Assets	159,572
Unrestricted	1,408,620
Total Net Position	<u>\$ 1,568,192</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
 Government-Wide Statement of Activities
 For the Year Ended June 30, 2015

Program Expenses	
Conservation	\$ 313,304
Personnel Service	196,063
Operating Expenses	78,928
Interest Expense	343
Total Program Expenses	<u>588,638</u>
Program Revenues	
Conservation Grants	294,743
Operating Grants	14,730
Total Program Revenues	<u>309,473</u>
Net Program (Expense) Revenue	<u>(279,165)</u>
General Revenues	
Property Taxes	456,225
Interest Income	2,290
Other	7,852
Total General Revenues	<u>466,367</u>
Change in Net Position	<u>187,202</u>
Net Position at Beginning of Year	1,569,519
Restatement	<u>(188,529)</u>
Restated Beginning Net Position	<u>1,380,990</u>
Net Position at End of Year	<u>\$ 1,568,192</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2015

	<u>General Fund</u>
Assets	
Cash and Cash Equivalents	\$ 1,594,895
Receivables	
Property Taxes	6,598
Restricted Cash	<u>20,247</u>
Total Assets	<u>\$ 1,621,740</u>
Liabilities	
Current Liabilities	
Accounts Payable	\$ 4,591
Accrued Payroll	<u>8,346</u>
Total Liabilities	<u>12,937</u>
Fund Balances	
Unassigned	<u>1,608,803</u>
Total Fund Balances	<u>1,608,803</u>
Total Liabilities and Fund Balances	<u>\$ 1,621,740</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2015

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balance - Governmental Funds		\$	1,608,803
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.			
Capital Assets	\$	522,974	
Accumulated Depreciation		<u>(294,845)</u>	228,129
Deferred Outflows and Inflows Related to Pensions are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.			
Deferred Outflows Related to Pensions		17,545	
Deferred Inflows Related to Pensions		<u>(54,726)</u>	(37,181)
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental fund.			
Notes Payable		(68,557)	
Pension Liability		<u>(139,629)</u>	(208,186)
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental fund.			
			<u>(23,373)</u>
Total Net Position - Governmental Activities		\$	<u><u>1,568,192</u></u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2015

	General Fund
Revenues	
Property Taxes	\$ 456,225
State Allocation	14,730
Conservator Grants	294,743
Interest Income	2,290
Miscellaneous	7,852
Total Revenues	<u>775,840</u>
Expenditures	
Current	
Conservation	296,699
Advertising	301
Audit	10,242
Dues and Subscriptions	3,801
Equipment Expense	13,034
Insurance	8,733
Miscellaneous	5,917
Office Expenses	4,645
Personnel Service	202,650
Postage & Delivery	196
Processing Center	1,194
Project Materials	12,175
Training	6,912
Travel	6,982
Utilities	4,796
Debt Service	
Principal	14,248
Interest	343
Total Expenditures	<u>592,868</u>
Excess (Deficiency) of Revenues Over Expenditures	182,972
Fund Balance at Beginning of Year	<u>1,425,831</u>
Fund Balance End of Year	<u>\$ 1,608,803</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 to the Statement of Activities
 June 30, 2015

Excess (Deficiency) of Revenues Over Expenditures \$ 182,972

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (16,605)	
Capital Outlays	<u>0</u>	(16,605)

Pension contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension expense is reported in the Statement of Activities but not in the governmental funds.

Pension Contributions	17,545	
Pension Expense	<u>(5,826)</u>	11,719

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

14,248

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences June 30, 2014	18,241	
Compensated Absences June 30, 2015	<u>(23,373)</u>	<u>(5,132)</u>

Changes in Net Position of Governmental Activities \$ 187,202

The notes to the financial statements are an integral part of this statement.

TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Cash Balance -General Fund

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 460,000	\$ 460,000	\$ 455,247	\$ (4,753)
State Appropriation	14,989	14,989	14,731	(258)
Conservation Grants	377,834	443,834	329,664	(114,170)
Interest Income	1,600	1,600	2,290	690
Miscellaneous	12,500	12,500	7,853	(4,647)
Total Revenues	866,923	932,923	809,785	(119,181)
Expenditures				
Conservation	377,834	443,834	313,370	130,464
Advertising	5,000	5,000	301	4,699
Audit	7,550	10,243	10,242	1
Dues	5,000	5,000	3,801	1,199
Equipment Expense	25,000	25,000	13,475	11,525
Insurance	14,000	14,000	8,733	5,267
Miscellaneous	15,500	12,807	5,917	6,890
Office Expenses	8,000	8,000	4,676	3,324
Personnel Service	500,000	500,000	200,249	299,751
Postage & Delivery	2,000	2,000	196	1,804
Processing Center	8,000	8,000	1,195	6,805
Project Materials	20,000	20,000	8,082	11,918
Training	20,000	20,000	6,912	13,088
Travel	13,000	13,000	6,982	6,018
Utilities	5,000	5,000	4,702	298
Debt Service				
Principal	17,000	17,000	14,248	2,752
Interest	0	0	343	(343)
Total Expenditures	1,042,884	1,108,884	603,424	505,460
Excess (Deficiency) of Revenues Over Expenditures	(175,961)	(175,961)	206,361	382,322
Beginning Cash Balance	1,408,781	1,408,781	1,408,781	0
Ending Cash Balance	\$ 1,232,820	\$ 1,232,820	\$ 1,615,142	\$ 382,322
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 206,361	
Net Change in Taxes Receivable			978	
Net Change in Due from Grantor			(34,921)	
Net Change in Accounts Payable			12,957	
Net Change in Accrued Payroll			(2,403)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 182,972	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Tierra Y Montes 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, a public body corporate and politic, organized for control and prevention of flood, sediment, and soil erosion damage, and to further the conservation, development and beneficial use of water and soil resources. The governing body of the District consists of five elected supervisors, four of whom must be landowners in the district. Two additional supervisors may be appointed to the district board. The Board of Supervisors has chosen to not appoint the two additional supervisors. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

The financial reporting entity as defined by GASB 14 consists of the primary government, organizations for which the primary government is financially accountable and other organizations whose exclusion from the financial reporting entity would cause the financial statements to be misleading.

A primary government is any state government or general-purpose local government and the organizations comprising its legal entity. Although the District is organized as a subdivision of the State and administratively attached to the New Mexico State University, Department of Agriculture, the statutory powers of the District establish it as a primary government with a separate corporate and legal identity. The District has no component units, financially dependent affiliates, nor is it legally liable for actions of other agencies.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

B. Government-Wide and Fund financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements identify the functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Cooperative include direct instruction, instructional support, administrative, operation of plant, business support services, and community services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into governmental funds.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2015

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spend-able resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Cooperative's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statement are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. for this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures are generally recorded when at liability is incurred, as under accrual accounting. However, expenditures as well as expenditures related to claims and judgments, if any are recorded only when payment is due.

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts - invested in capital assets, net of related debt; restricted and unrestricted.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirement of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2015

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include: 1) charges for services to users who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, grants for conservation as well as others., and 3) program specific capital grants and contributions.

The District reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources of the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Net Position and Fund Balance

Cash and Investments

The Districts cash and cash equivalents consists of demands and short term investments (certificates of deposit) with original maturities of six months or less from the date of acquisition.

State statutes authorize the district to invest in obligations of the U.S. Treasury, repurchase agreements, and certificates of deposit. Investments for the government, if applicable, are reported at fair value.

Receivables and Payables

Property taxes attached an enforceable lien as of January 1. Taxes are payable in equal semi-annual installments on November 10 and April 10 of the subsequent year. The taxes become delinquent thirty days after the due date. The taxes are collected by the San Miguel County Treasurer and are remitted to the District in the month following collection.

Capital Assets

Capital assets, which include property, equipment (including software), farm equipment and furniture are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by state law as assets with an initial cost of \$5,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized.

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

Buildings	39 years
Building Improvements	20 years
Vehicles	5 years
Office Equipment	5 years
Farm Equipment	7 years
Computer Equipment	5 years

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2015

Accounts payable

The account payable as of the balance sheet date includes routine monthly bills for services rendered and products purchased which are paid in the following month.

Compensated Absences

The District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave, since the government does not have a policy to pay amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide financial statements. A current liability for these amounts is reported in the governmental funds only. If they have matured, for example, as a result of resignation and retirements. If the employee is terminated the accrued time is not paid out.

The District's policy states that employees accrue leave at 3.08 hours per pay period if the employee has less than three years of employment, increasing to 4 hours for less than seven years of employment, 5 hours for less than eleven years of employment, 6 hours for less than fifteen years of employment and 6.3 hours for more than fifteen years of employment. Employees may not carryover more than 240 hours forward from one calendar year to the next.

Net Position and Fund Balance

The difference between the District's assets and liabilities is its net position. The District's net position consist of four components — invested in capital assets, net of related debt which is the cost of capital assets, net of accumulated depreciation and the related debt to finance the capital assets, restricted and unrestricted. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation and/or are legally restricted by outside parties for use for a specific purpose.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

The budget is prepared on a basis that differs from accounting principles generally accepted in the United States of America (GAAP). GAAP basis revenues and expenditures include accrued amounts. The revenues and expenditures reported in the budgetary comparisons are generally recorded on the cash basis. The District uses the following procedures to establish the budgeted amounts reflected in the budgetary comparisons:

1. Prior to April 1, the Budget Committee submits to the District Board of Supervisors a proposed revenue and expenditure budget for the fiscal year beginning July 1.
2. The Board reviews the budget proposal and makes any necessary adjustments.
3. Prior to June 1, the Board approves the budget by passing a resolution.
4. Prior to June 20, the approved budget is submitted to the State of New Mexico, Department of Finance and Administration, Local Government Division (DFA-LGD) for approval by the first Monday of September. The Board receives notice of the approved budget.

The legal level at which actual expenditures may not exceed budgeted expenditures is at the total fund level. The Board can revise its budget with the approval of DFA-LGD.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2015

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

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

Reconciliations are located at the bottom of the general fund budget actual.

III. Detailed Notes on all Funds

A. Deposits and Investments

Southwest Capital Bank

Account Name	Account Type	Bank Balance 06/30/2015	Reconciled Balance
Tierra Y Montes SWCD	Interest-Checking	\$ 942,097	\$ 936,339
	Total	942,097	936,339
	Less: FDIC coverage	(250,000)	
	Uninsured Amount	692,097	
	50% collateral requirement	346,049	
	Pledge securities	99,644	
	Over (Under) Secured	\$ (246,405)	

The following securities are pledged at Southwest Capital Bank:

Description	CUSIP #	Par/Market Value	Maturity Date
Needville ISD TX	640065KA5	\$ 331,698	08/15/2034
Hatch Valley NM SD	418839CU8	99,644	8/1/2022
		\$ 431,342	

The Pledged securities were held at: FHLB located in Dallas, TX

First Community Bank Las Vegas

Account Name	Account Type	Bank Balance 06/30/2015	Reconciled Balance
Tierra Y Montes SWCD	Interest-Checking	\$ 407,538	\$ 407,538
	Savings	15,554	15,554
	Total	423,092	423,092
	Less: FDIC coverage	(250,000)	
	Uninsured Amount	173,092	
	50% collateral requirement	86,546	
	Pledge securities	76,372	
	Over (Under) Secured	\$ (10,174)	

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June 30, 2015

The following securities are pledged at First Community Bank Las Vegas:

Description	CUSIP #	Par/Market Value	Maturity Date
Colorado Springs Co Utilities	196630PP6	\$ 17,039	11/15/2018
Alamogordo NM Municipal School	418839CU8	76,372	08/01/2020
		<u>\$ 93,411</u>	

The Pledged securities were held at: FHLB located in Dallas, TX

State Employees Credit Union

Account Name	Account Type	Bank Balance 06/30/2015	Reconciled Balance
Tierra Y Montes SWCD	Savings	\$ 235,464	\$ 235,464
	Total	235,464	<u>\$ 235,464</u>
	Less: SMSIA coverage	(235,464)	
	Over (Under) Secured	<u>\$ 0</u>	

The cash held at Wells Fargo for NMFA is restricted for debt service.

Wells Fargo

Account Name	Account Type	Bank Balance 06/30/2015	Reconciled Balance
Tierra Y Montes SWCD	Interest-Savings	\$ 5,546	\$ 5,546
Tierra Y Montes SWCD	Interest-Savings	14,701	14,701
	Total	20,247	<u>\$ 20,247</u>
	Less: FDIC coverage	(20,247)	
	Amount uninsured	<u>\$ 0</u>	

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

Custodial Credit Risk-Deposits

Depository Account	Bank Balance
Insured	\$ 505,711
Collateralized:	
Collateral held by the pledging bank in District's name	524,753
Uninsured and uncollateralized	590,436
Total Deposits	<u>\$ 1,620,900</u>

Custodial Credit Risk — Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of the end of the fiscal year \$590,436 of the District's bank balances of \$1,620,900 were exposed to custodial credit risk.

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B. Capital Assets	Beginning Balance 6/30/14	Additions	Deletions	Ending Balance 6/30/15
Capital Assets not being Depreciated				
Construction in Progress	\$ 0	\$ 0	\$ 0	\$ 0
Capital Assets, being Depreciated				
Buildings	245,344	0	0	245,344
Leasehold Improvements	26,533	0	0	26,533
Vehicles	99,112	0	0	99,112
Farm Equipment	140,488	0	0	140,488
Office Equipment	11,497	0	0	11,497
Total Capital Assets, being Depreciated	\$ 522,974	\$ 0	\$ 0	\$ 522,974
Less Accumulated Depreciation				
Buildings	\$ 42,688	\$ 5,336	\$ 0	\$ 48,024
Leasehold Improvements	18,808	1,327	0	20,135
Vehicles	96,614	2,500	0	99,114
Farm Equipment	108,633	7,442	0	116,075
Office Equipment	11,497	0	0	11,497
Total Accumulated Depreciation	261,635	16,605	0	294,845
	\$ 261,339	\$ (16,605)	\$ 0	\$ 228,129

Depreciation expense was charged to the conservation function.

C. Long Term Debt

A summary of activity in the Long-Term Debt is as follows:

	Beginning Balance 6/30/14	Reductions	Ending Balance 6/30/15	Amounts Due Within One Year
Loans and Notes Payable	\$ 82,805	\$ 14,248	\$ 68,557	\$ 14,316
	Beginning Balance 6/30/14	Increases	Reductions	Ending Balance 6/30/15
Compensated Absences	\$ 18,241	\$ 12,963	\$ 7,831	\$ 23,373

Payments on the loans are made by the General Fund. The compensated absences liability are liquidated by the General Fund.

The District has entered into the following loan with the New Mexico Finance Authority.

Purpose	Original Amount	Interest Rate	Maturity Date	Balance
Construct a building	\$ 207,590	2.50%	04/01/2020	68,557
				\$ 68,557

The debt service requirements to maturity are as follows:

	Principal	Interest	Total
2016	14,316	275	14,591
2017	14,372	220	14,592
2018	14,428	163	14,591
2019	14,487	105	14,592
2020	10,954	47	11,001
	\$ 68,557	\$ 810	\$ 69,367

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IV. Other Information

A. Employee Benefits

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

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 FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage options that apply to District are Municipal Plan 3 (Plan). Statutorily required contributions to the pension plan from the District were \$17,545 for the year ended June 30, 2015.

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

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

For the Plan at June 30, 2015, the District reported a liability of \$139,629 for its proportionate share of the net pension liability. At June 30, 2014, the District's proportion was 0.0179% for the Plan which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the District recognized pension expense for the Plan of \$5,826, At June 30, 2015, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between	\$ 0	\$ 0
Changes of assumptions	0	(95)
projected and actual earnings on pension plan	0	(54,631)
Changes in proportion and differences between the		0
Village's contributions	17,545	0
Total	<u>\$ 17,545</u>	<u>\$ (54,726)</u>

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The Plan's \$17,545 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (13,681)
2017	(13,681)
2018	(13,681)
2019	(13,683)
Total	\$ (54,726)

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.10%	5.00%
International Equity	24.80%	5.20%
Private Equity	7.00%	8.20%
Core and Global Fixed Income	26.10%	1.85%
Fixed Income Plus Sectors	5.00%	4.80%
Real Estate	5.00%	5.30%
Real Assets	7.00%	5.70%
Absolute Return	4.00%	4.15%

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the District's net pension liability in the Municipal Plan 2 and Police 5 PERA Fund Divisions that the District participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The District's proportionate share of the net pension liability for the Plan	\$ 263,251	\$ 139,629	\$ 44,143

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

B. Post Employment Benefits

Plan Description. The District contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2015

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2015, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act. The District is not a member of the enhanced retirement plan.

The District's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$3,677, \$2,900 and \$2,675, respectively, which equal the required contributions for each year.

C. Risk Management

The District is exposed to various risks of loss due to torts, theft or damage of assets, errors and omissions and natural disasters. The District's supervisors and employees are covered by an errors and omissions liability policy purchased by the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,050,000 for each wrongful act and \$1,050,000 for the policy aggregated. The District is required to obtain a corporate fidelity bond on behalf of persons responsible for District assets. The District currently maintains a \$10,000 fidelity bond on its District Clerk and Supervisors. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

D. Contingent Liabilities

There are no known contingent liabilities and there are no provisions for contingencies in these financial statements.

STATE OF NEW MEXICO
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Notes to the Financial Statements
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E. Medical Insurance

The District offers medical insurance. All but one employee has opt out of this benefit. For the one employee that has insurance the Board has approved to pay 65% of the Medical, Dental and Vision. For the year ended June 30, 2015 the District's portion totaled \$11,723.42.

F. Joint Powers Agreements

The District entered into a JPA with the NM Energy Minerals and Natural Resources Department, Forestry Division on February 8, 2012 called Noxious Weed Project VI. The estimated cost is \$50,700. Expenditures to date were \$50,700. The District is the fiscal agent and has audit responsibility.

The District entered into a JPA with the NM Energy Minerals and Natural Resources Department, Forestry Division on September 21, 2012 called the 2012 San Miguel County WUI Project, Hazard VII. The estimated cost is \$194,674. Expenditures to date were \$194,674. The District is the fiscal agent and has audit responsibility.

The District entered into a JPA with the NM Energy Minerals and Natural Resources Department, Forestry Division on October 7, 2013 called the National Forest Land Pena. The estimated cost is \$255,000. Expenditures to date were \$255,000. The District is the fiscal agent and has audit responsibility.

The District entered into a JPA with the NM Energy Minerals and Natural Resources Department, Forestry Division on August 28, 2014 called the City of Las Vegas Reservoir Thinning Project 2014. The estimated cost was \$66,000. Expenditures to date were \$66,000. The District is the fiscal agent and has audit responsibility.

The District entered into a JPA with the U.S. Fish & Wildlife Services on May 23, 2012 for wildlife refuge. The estimated cost is \$89,359. The agreement was amended to increase the expenditures by 10,068 for a total of \$99,427. Expenditures to date were \$99,427. The District is the fiscal agent and has audit responsibility.

G. Subsequent Events

Subsequent events were evaluated through November 24, 2015 which is the date the financial statements were available to be issued.

H. Restatement

Net Position was restated \$(188,529) for pension liability balance at the end of the prior year.

REQUIRED SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Schedules of Required Supplementary Information for Pension Plan
For the Year Ended June 30, 2015

Schedule of the District's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

	<u>2015</u>
District's proportion of the net pension liability	0.01790%
District's proportionate share of the net pension liability	\$ 139,629
District's covered-employee payroll	\$ 183,858
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	75.94%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

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

Schedule of District's Contributions

Last 10 Fiscal Years*

	<u>2015</u>
Contractually required contribution	\$ 17,545
Contributions in relation to the contractually required contribution	<u>17,545</u>
Contribution deficiency (excess)	<u><u>0</u></u>
District's covered-employee payroll	\$ 183,858
Contributions as a percentage of covered-employee payroll	9.54%

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

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement Association 2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf).

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf.

The summary of Key Findings for the PERA Fund (on page 2 of the report) states "based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

OTHER SUPPLEMENTAL INFORMATION

TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

Vendor Schedule

For the Year Ended June 30, 2015

There were no vendors that met the reporting criteria for this entity for the Fiscal year ending June 30, 2015.

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*

Independent Auditor's Report

Mr. Tim Keller
State Auditor of the State of New Mexico
Board of Supervisors and District Personnel

Mr. Keller and Members of the Board

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, the financial statements of the governmental activities, the general fund and the budgetary comparison of Tierra Y Montes Soil & Water Conservation District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing 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 are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. 2011-002

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 an instance 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 2011-002

The District's Responses to Findings

The District's responses to the findings identified in our audit as described in the accompanying schedule of findings and responses. Responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

De'Ann Willoughby, CPA PC

Clovis, New Mexico
November 24, 2015

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Schedule of Findings and Responses
June 30, 2015

Federal Compliance Findings

Current Year Audit Findings

None

Financial Statements Findings

Prior Year Audit Findings

11-2 Lack of Pledged Securities

Status

Repeated & Modified

Current Year Audit Findings

2011-002 Lack of Pledged Securities-Compliance and Internal Control-Significant Deficiency Condition

The Southwest Capital Bank and First Community Bank of Las Vegas both pledged out of state securities for the public monies held by the institution. Southwest Capital had pledged \$331,698.00 with Needville ISD in Texas. First Community Bank of Las Vegas had pledged \$17,038.55 with Colorado Springs Colorado Utilities.

Management has made progress with this finding. They are constantly working with the bank to resolve this finding.

Criteria

Pursuant to Section 6-10-16, NMSA 1978 Deposits of public money shall be secured by: securities of the United States, its agencies or instrumentalities; securities of the state of New Mexico, its agencies, instrumentalities, counties, municipalities or other subdivisions; securities, including student loans, that are guaranteed by the United States or the State of New Mexico; revenue bonds that are underwritten by a member of the financial industry regulatory authority, known as FINRA, and are rated "BAA" or above by a nationally recognized bond rating service; or letters of credit issued by a federal home loan bank."

Cause

The Banks were unaware of the restriction of pledges to just Federal or the State of NM issued securities

Effect

Under collateralization results in lack of guarantee of the District's money in case of institutional failure.

Recommendation

We recommend that in the event the banks cannot issue the appropriate pledged securities the District remove funds greater than the insured amount of \$250,000 and deposit it with another local bank.

Response

We have requested to receive in state or federal pledged securities from both banks. The District Manager is responsible for this issue and expects the finding to be resolved by the end of the fiscal year.

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference

An exit conference was held on November 24, 2015. Those present were Gabe Estrada-Supervisor, Rita Gallegos-Secretary/Treasurer, Frances Martinez-District Manager and De'Aun Willoughby, CPA.