
STATE OF NEW MEXICO
Carlsbad Soil and Water Conservation District
June 30, 2018

Financial Statements and Supplementary Information
As Of And For The Year Ended June 30, 2018
With Independent Auditor's Report Thereon

*Sandra Rush CPA PC
1101 E Llano Estacado
Clovis, New Mexico 88101*

Introductory Section

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

Official Roster
For the year ended June 30, 2018

Board of Directors

Nathan Jurva	Chairperson
Kristin Pope	Vice-Chairperson
James Carr	Secretary / Treasurer
Henry Vasquez	Member
Charles Goodwin	Member
Fred Beard	Member
Lupe Carrasco	Member

Administrative Officials

Judy Bock	District Manager
Judith McCollaum	Administrative Assistant

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

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STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

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Financial Section

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Independent Auditor's Report

Wayne Johnson
New Mexico State Auditor
The Governing Board
Carlsbad Soil and Water Conservation District
Carlsbad, New Mexico

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison for the general fund and the aggregate remaining fund information of Carlsbad Soil and Water Conservation District (the "District"), as of and for the year ended June 30, 2018, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 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, I 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 financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District, as of June 30, 2018, 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 Discussion and Analysis that accounting principles, generally accepted in the United States of America require 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by the missing information.

Accounting principles generally accepted in the United States of America require that the *Schedules of the District's Proportionate Share of the Net Pension Liability*, and *Schedules of District Contributions* 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. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements, the individual fund financial statements, and the budgetary comparison. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the other 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 auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Expenditures of Federal Awards and 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*, I have also issued my report dated September 25, 2018 on my consideration of the District's internal control over financial reporting and on my 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 my 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.



Sandra Rush CPA PC
Clovis, New Mexico
September 25, 2018

Basic Financial Statements

Government-Wide Financial Statements

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
Assets and deferred outflows of resources	
Assets	
Current assets	
Cash and cash equivalents	\$ 1,969,013
Cash with the NM Finance Authority - State Treasury	857
Receivables (net)	
Taxes	11,620
Grants	<u>644,824</u>
Total current assets	2,626,314
Noncurrent assets	
Capital assets	618,140
Less accumulated depreciation	<u>(226,742)</u>
Total noncurrent assets	<u>391,398</u>
Total assets	<u>3,017,712</u>
Deferred outflows of resources	
Related to net pension liability	<u>28,438</u>
Total assets and deferred outflows of resources	<u>\$ 3,046,150</u>
Liabilities, deferred inflows of resources and net position	
Liabilities	
Current liabilities	
Accrued wages payable	\$ 2,567
Note payable - current portion	<u>3,746</u>
Total current liabilities	6,313
Noncurrent liabilities	
Compensated absences	6,059
Note payable	42,523
Net pension liabilities	<u>112,675</u>
Total noncurrent liabilities	<u>161,257</u>
Total liabilities	167,570
Deferred inflows of resources	
Related to net pension liability	<u>7,469</u>
Total deferred inflows of resources	<u>7,469</u>
Net position	
Net investment in capital assets	345,129
Restricted for	
General	-
Debt service	857
Unrestricted	<u>2,525,125</u>
Total net position	<u>2,871,111</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,046,150</u>

See notes to financial statements

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

Statement of Activities
For the year ended June 30, 2018

Functions / Programs	Expenses	Program Revenues		Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Conservation	\$ 1,741,270	\$ 2,070	\$ 2,929,690	\$ 1,190,490
Interest	1,318	-	-	(1,318)
Total expenditures	<u>\$ 1,742,588</u>	<u>\$ 2,070</u>	<u>\$ 2,929,690</u>	<u>\$ 1,189,172</u>
		General revenues		
			Taxes	
			Mill levy	\$ 411,655
			Interest	1,562
			Total general revenues	<u>413,217</u>
			Change in net position	1,602,389
			Net position beginning	<u>1,268,722</u>
			Net position - ending	<u>\$ 2,871,111</u>

Fund Financial Statements

STATE OF NEW MEXICO
 CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

Balance Sheet - Governmental Funds
 June 30, 2018

	<u>General Fund</u>
Assets and deferred outflows of resources	
Assets	
Cash and cash equivalents	\$ 1,969,013
Restricted cash	857
Receivables	
Taxes	11,620
Grants	644,824
	<u>2,626,314</u>
Total assets	<u>2,626,314</u>
Deferred outflows of resources	
Unavailable resources	<u>-</u>
	<u>\$ 2,626,314</u>
Total assets and deferred outflows of resources	<u>\$ 2,626,314</u>
Liabilities, deferred inflows of resources and fund balances	
Liabilities	
Accrued payroll	\$ <u>2,567</u>
	<u>2,567</u>
Total liabilities	<u>2,567</u>
Deferred inflows of resources	
Unavailable revenues	<u>-</u>
Fund balances	
Nonspendable	-
Restricted for	
General	-
Special revenue	-
Debt service	-
Unassigned	<u>2,623,747</u>
	<u>2,623,747</u>
Total fund balance	<u>2,623,747</u>
	<u>\$ 2,626,314</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,626,314</u>

See notes to financial statements

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position - Governmental Activities
For the year ended June 30, 2018

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

Fund balances - total governmental funds	\$	2,623,747
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Capital assets used in governmental activities are not financial resources and, therefore,
are not reported in the funds

Capital assets	\$	618,140	
Accumulated depreciation		<u>(226,742)</u>	391,398

Deferred outflows and inflows of resources related to pensions are applicable
to future periods and, therefore, are not reported in the funds

Deferred outflows of resources related to net pension liability	28,438	
Deferred inflows of resources related to net pension liability	<u>(7,469)</u>	20,969

Certain liabilities, including accrued compensated absences, bonds payable,
lease purchase notes and net pension liability, are not due and payable
in the current period and, therefore, are not reported in the funds

Long- term debt	(46,269)	
Net pension liability	(112,675)	
Compensated absences	<u>(6,059)</u>	<u>(165,003)</u>

Net position of governmental activities in the Statement of Net Position	\$	<u><u>2,871,111</u></u>
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STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year Ended June 30, 2018

	<u>General Fund</u>
Revenues	
Taxes	
Mill levy	\$ 411,655
Charges for services	2,070
Intergovernmental	
Federal grants	2,054,261
State grants	855,429
Local grants	20,000
Interest	<u>1,562</u>
Total revenues	<u>3,344,977</u>
Expenditures	
Current	
Conservation	1,713,198
Capital outlay	-
Debt service	
Principal	3,703
Interest	<u>1,318</u>
Total expenditures	<u>1,718,219</u>
Excess (deficiency) of revenues over expenditures	1,626,758
Other financing sources (uses)	
Operating transfers in (out)	<u>-</u>
Total other financing sources (uses)	<u>-</u>
Net change in fund balances	<u>1,626,758</u>
Fund balance, beginning of year	<u>996,989</u>
Fund balance, end of year	<u>\$ 2,623,747</u>

See notes to financial statements

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

Reconciliation of Statement of Revenue, Expenditures and Change in
Fund Balances - Governmental Funds - to the Statement of Activities -
Governmental Activities
For the year ended June 30, 2018

Amounts reported for governmental activities in the Statement of Activities are different because

Net change in fund balance - total governmental funds \$ 1,626,758

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position 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 for the period.

Depreciation expense (19,260)

The issuance of long-term debt (e.g., notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Note payable principal 3,703

Expenditures in the statement of activities that do not provide current financial resources are not reported as expenditures in the funds.

Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Compensated absences are expensed as paid in governmental fund statements and as increases to noncurrent liabilities on the statement of net position.

Change in deferred outflows and inflows related to net pension liability (7,271)
Compensated absences (1,541)

Change in net position of governmental activities \$ 1,602,389

See notes to financial statements

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

General Fund - 101
Statement of Revenues, Expenditures, and Changes in
Cash Balances - Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2018

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes				
Mill levy	\$ 325,000	\$ 416,000	\$ 416,050	\$ 50
Charges for services	2,000	2,070	2,070	-
Intergovernmental				
Federal grants	-	1,435,634	1,425,634	(10,000)
State grants	812,000	855,429	855,429	-
Local grants	15,000	19,000	19,000	-
Interest	1,310	1,256	1,562	306
Total revenues	<u>1,155,310</u>	<u>2,729,389</u>	<u>2,719,745</u>	<u>(9,644)</u>
Expenditures				
Current				
Conservation	1,145,132	1,710,791	1,710,631	160
Capital outlay	-	-	-	-
Debt service				
Principal	3,703	3,703	3,703	-
Interest	1,597	1,597	1,318	279
Total expenditures	<u>1,150,432</u>	<u>1,716,091</u>	<u>1,715,652</u>	<u>439</u>
Excess (deficiency) of revenues over expenditures	4,878	1,013,298	1,004,093	(9,205)
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	4,878	1,013,298	1,004,093	(9,205)
Cash balance, beginning	-	-	965,777	965,777
Cash balance, ending	<u>\$ 4,878</u>	<u>\$ 1,013,298</u>	<u>\$ 1,969,870</u>	<u>\$ 956,572</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 1,004,093	
Adjustment to revenues for accruals and other deferrals			625,232	
Adjustment to expenditures for payables, prepaids and other accruals			(2,567)	
Net change in fund balance (GAAP Basis)			<u>\$ 1,626,758</u>	

See notes to financial statements

Notes to the Financial Statements

Note 1 Summary of Significant Accounting Policies

This summary of significant accounting policies of the Carlsbad Soil and Water Conservation District (District) is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of the District's management who is responsible for their integrity and objectivity. 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. The financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The Carlsbad 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 a minimum of five elected supervisors, four of whom must be landowners in the District. Two additional supervisors may be appointed to the District board. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

The financial reporting entity consists of the primary government, and any another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it can impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Based upon the application of these criteria, there are no component units of the District. The District is not considered a component unit of another governmental agency during the fiscal year ended June 30, 2018.

B. Government-Wide Financial Statements

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on a significant extent on fees and charges for support. 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-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. 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 activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions

that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

The net cost (by function of governmental-type activity) is normally covered by general revenues (mill levy, sales, franchise, public service taxes, interest income, etc.). The District does not allocate indirect costs. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term is considered an indirect expense and is reported separately on the Statement of Activities.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund level financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income. 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 sixty days of the end of the current fiscal period. Generally, intergovernmental revenues and grants are recognized when all eligibility requirements are met, and the revenues are available. 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 due.

Mill levy, franchise, sales and public service tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Governmental funds include:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through mill levy and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the District except for items included in other funds.

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Under the requirements of GASB No. 34, the District is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include only the General Fund.

General Fund

The District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided primarily through property, gross receipts and other miscellaneous taxes.

As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities

Program revenues reduce the cost of the function to be financed from the District's general revenues. Amounts reported as *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*. 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.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified function and is included in the direct expense of each function. Interest on general and long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the District; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

D. Assets, Liabilities, and Net Position or Fund Balance

Cash and Cash Equivalents:

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Receivables and Payables:

Inter-fund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied.

Capital Assets:

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, per section 12-6-10 NMSA 1978, and an estimated useful life more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement

No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5).

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. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	39 years
Vehicles	5 years
Office equipment	5 years
Light equipment	7 years
Computer equipmer	5 years

Deferred Outflows of Resources:

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time.

Deferred Inflows of Resources:

In addition to liabilities, the balance sheet reports 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources.

Long-term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

In the fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

Fund Balance: Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent: The following classifications may be used:

Non-Spendable

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the District Board of Trustees should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the District's Board of Trustees removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and amounts in the general fund that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Intent, and removal of, is expressed by the Board of Trustees or the Finance Committee. The District did not have assigned fund balances for the year ended June 30, 2018.

Unassigned

The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

When committed, assigned, and unassigned resources are available for use, it is the District's policy to use committed first followed by assigned and unassigned resources as they are needed.

Net Position and Fund Equity:

Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

Net investment in capital assets:

Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position:

Consist of net position with "legally enforceable" constraints placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Legally enforceable means that a government can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation, only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment. If it is determined that the restrictions continue to be legally enforceable, then for the purposes of financial reporting, the restricted net position should not reflect any reduction for resources used for purposes not stipulated by the enabling legislation. Descriptions for the related restrictions for net position are restricted for "debt service or capital projects."

Unrestricted Net Position:

All other net positions that do not meet the definition of "restricted" or "net investment in capital assets".

Inter-fund Transactions:

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from 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.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the District's financials include management's estimate of the useful lives of capital assets.

Tax Revenues:

The District receives mill levy tax revenues. These taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are

levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements.

Note 2 Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets of the District are prepared prior to June 1 and must be approved by District Council resolution and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the District Council and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of the funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, and Special Revenue Funds. The District is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The District Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

The accompanying Statements of Revenues, Expenditures, and Changes in Cash Balance – Budget (non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2018, is presented.

The appropriated budget for the year ended June 30, 2018, was properly amended by the District Council throughout the year.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2018 is presented as part of the budgetary statements.

Note 3 Deposits and Investments

State statutes authorize the investment of the District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2018.

Deposits of funds may be made in interest or non-interest-bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case, shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

Per the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

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New Mexico State Statutes require collateral pledged for deposits more than the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half the amount more than FDIC coverage on deposit with the institution.

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the District's deposits.

	Western Commerce Carlsbad NM	Pioneer Bank Carlsbad NM	Financial Security Credit Union Carlsbad NM	Eddy Federal Credit Union Carlsbad NM	Carlsbad National Bank Carlsbad NM	
Total amount on deposit on June 30, 2018						
Carlsbad SWCD	\$ 1,456,193	\$	\$	\$	\$	Non-interest
Carlsbad SWCD		110,094				Interest bearing
Carlsbad SWCD			202,645			Interest bearing
Carlsbad SWCD				110,201		Interest bearing
CSWCD					95,725	Interest bearing
Total deposited	<u>1,456,193</u>	<u>110,094</u>	<u>202,645</u>	<u>110,201</u>	<u>95,725</u>	<u>1,974,858</u>
Less FDIC coverage	(250,000)	(110,094)			(95,725)	(455,819)
less NCUA coverage			(202,645)	(110,201)		(312,846)
Total uninsured public funds	<u>1,206,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,206,193</u>
50% collateral requirement per Section 6-10-17, NMSA 1978	603,097					
Pledged securities (Schedule IV)	<u>1,554,681</u>					
Over (under)	<u>\$ 951,585</u>					

Pledged Collateral

Per the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest-bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. The collateral pledged is listed on Schedule III of this report.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2018, none of the District's bank balance of \$1,974,858 was exposed to custodial credit risk.

Custodial Credit Risk-Deposits	
Account Balance	\$ 1,974,858
FDIC Insured	455,818
NCUA Insured	312,846
Collateral:	
Collateral held by the pledging bank, not in the the District's name	1,554,681
Uninsured and uncollateralized	<u>(348,487)</u>
Total Deposits	<u>\$ 1,974,858</u>

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Note 4 Receivables

Receivables as of June 30, 2018, are as follows:

	Accounts Receivable Taxes	Accounts Receivable Grantor
Taxes receivable		
Mill levy	\$ 11,620	\$
Due from grantor		
Federal sources		
BLM/NMACD		636,824
Local sources		
Noxious weeds		<u>8,000</u>
Totals	<u>\$ 11,620</u>	<u>\$ 644,824</u>

The above accounts receivable taxes and accounts receivable from grantor are deemed 100% collectible. In accordance with GASB No. 33, property tax receivables are presented net of unearned revenue in the governmental balance sheet. In accordance with GASB No. 65, deferred inflows of resources accounts for delinquent property taxes that are due to the District but that have not been remitted to the District.

Note 5 Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows.

Government Activities

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Capital assets being depreciated				
Buildings and Improvements	496,845	-	-	496,845
Vehicles	77,180	-	-	77,180
Equipment	<u>24,115</u>	<u>-</u>	<u>-</u>	<u>24,115</u>
Total assets being depreciated	<u>598,140</u>	<u>-</u>	<u>-</u>	<u>598,140</u>
Less accumulated depreciation	<u>(207,482)</u>	<u>(19,260)</u>	<u>-</u>	<u>(226,742)</u>
Total accumulated depreciation	<u>(207,482)</u>	<u>(19,260)</u>	<u>-</u>	<u>(226,742)</u>
Governmental activity capital assets, net	<u>\$ 410,658</u>	<u>\$ (19,260)</u>	<u>\$ -</u>	<u>\$ 391,398</u>

Capital assets, net of accumulated depreciation, at June 30, 2018 appear in the Statement of Net Position as follows: Governmental activities \$391,398.

NOTE 6 Long-term Debt

During the year ended June 30, 2018 the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	Beginning Balance	Increases	Decrease	Ending Balance	Current Portion
4% Note Payable, payable to the New Mexico Finance Authority in monthly installments of \$433. The purpose was to finance building improvements to the Districts office.	\$ 49,972	\$ -	\$ (3,703)	\$ 46,269	\$ 3,746
Compensated absences	\$ 4,518	\$ 9,026	\$ (7,485)	\$ 6,059	\$ -

The annual requirements to amortize the General Obligation Bonds as of June 30, 2018, including interest payments are as follows.

Fiscal Year	Principal	Interest	Total
2019	\$ 3,746	\$ 1,230	\$ 4,976
2020	3,803	1,176	4,979
2021	3,872	1,111	4,983
2022	3,954	1,034	4,988
2023	4,047	945	4,992
2024-2028	17,322	2,683	20,005
2029	9,525	505	10,030
	<u>\$ 46,269</u>	<u>\$ 8,684</u>	<u>\$ 54,953</u>

Note 7 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; injuries to employees; and natural disasters. The District has purchased insurance from a commercial vendor and pays an annual premium for its general insurance coverage, as such all risk of loss is transferred.

Note 8 Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the Combining Statements

Overview of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds.
None
- B. Expenditures exceeded appropriations by fund.
None
- C. Excess expenditures over budget.
The District did not reported expenditures in excess of budget at the function level at June 30, 2018.

Note 9 PERA Pension Plans

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.

Plan Description. The 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-IIA-1 to 10-IIA-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-B.

Benefits Provided For a description of the benefits provided and recent changes to the benefits see Note D in the PERA audited financial statements for the fiscal year ended June 30, 2017 available at: <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-final.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 FYI 7 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 46 through 48 of the PERA FY 17 annual audit report. The PERA coverage options that apply to the District is: General Division.

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, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

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, 2017.

Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2017 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 Fund Division – General. At June 30, 2018, the District reported a liability of \$112,675 for its proportionate share of the net pension liability at June 30, 2017. At June 30, 2017, the District's proportion was 0.0082%, which was unchanged from the proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized PERA Fund - General pension expense of approximately \$14,494.

At June 30, 2017, the District reported PERA Fund Division - General deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actuarial experience	\$ 4,428	\$ 5,771
Change in assumptions	5,196	1,164
Net difference between projected and actual earnings on plan investments	9,244	-
Change in proportion and difference between District contribution and proportionate share of contributions	2,332	534
District's contribution subsequent to the measurement date	7,238	-
Totals	\$ 28,438	\$ 7,469

For the General Division, \$7,238 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date June 30, 2017 and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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 June 30, 2018

Year Ended June 30,		
2019	\$	4,055
2020		10,370
2021		2,006
2022		(2,700)

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, 2016 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, 2017 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

PERA	
Actuarial valuation date	June 30, 2016
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	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 9 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 9 years, 2.75% all other years
Mortality Assumption	RP-2000 Mortality Tables
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2015 (economic).

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

The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

All Funds Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets to Include Real Estate Equity	20.00%	7.35%
Total	100.00%	

Discount Rate. The discount rate used to measure the total pension liability was 7.25% for the first ten years (select period) then 7.75% for all other years (ultimate). The equivalent blended rate of 7.48% will be used to measure the total pension liability. 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 7.48% 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 Association's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Association's net pension liability in each PERA Fund Division in which the Association participates, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.51%) or one percentage point higher (8.51%) than the single discount rate.

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	1% Decrease <u>6.51%</u>	Current Discount <u>7.51%</u>	1% Increase <u>8.51%</u>
District's proportionate share of the net pension liability	\$ 176,598	\$ 112,675	\$ 59,513

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY16 PERA financial report. The report is available at: www.pera.state.nm.us/publications.html.

Payables to the Pension Plan. At June 30, 2018, the District did not have any outstanding contributions to the pension plan reported within accounts payables in the General Fund.

Note 10 Post-Employment Benefits

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 has elected not to participate in the program. Information on the Retiree Health Care Act can be obtained at the Retiree Health Care, 4308 Carlisle Blvd. NE Ste 104, Albuquerque, NM 87109.

Note 11 Contingent Liabilities

In the normal course of operations, the District receives grant funds from various state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise because of these audits is not believed to be material.

Note 12 Surety Bond

The officials and certain employees of the District are covered by a surety bond as required by Section 126-7 NMSA 1978 Compilation.

Note 13 Subsequent Review

The District has evaluated subsequent events through September 25, 2018 which is the date the financial statements were available for issuance.

Note 14 GASB 77 Abatement Disclosures

The District was not part of any tax abatement agreements subject to GASBS 77 Tax Abatement Disclosures during the year ended June 30, 2018. As a result, they make no such disclosures related to GASBS 77.

Required Supplementary Information

STATE OF NEW MEXICO
 CARLSBAD SOIL and WATER CONSERVATION DISTRICT
 Schedule of Proportionate Share Net Pension Liability
 And Required Contributions
 Public Employees Retirement Association (PERA) Plan
 Last 10 Fiscal Years*

Schedule I

Schedule of Proportionate Share Net Pension Liability

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
The District's proportion of the net pension liability (asset)	0.00790%	0.00790%	0.00820%	0.00820%
The District's proportionate share of the net pension liability (asset) \$	61,628	\$ 82,587	\$ 127,813	\$ 112,675
The District's covered-employee payroll \$	86,184	\$ 88,775	\$ 93,157	\$ 97,816
The District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	71.51%	93.03%	137.20%	115.19%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%	69.18%	73.74%

Schedule of Required Contributions

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution \$	6,364	\$ 6,569	\$ 6,894	\$ 7,238
Contributions in relation to the contractually required contribution	<u>6,364</u>	<u>6,569</u>	<u>6,894</u>	<u>7,238</u>
Contribution deficiency (excess) \$	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
The District's covered-employee payroll \$	86,184	\$ 88,775	\$ 93,157	\$ 97,816
Contributions as a percentage of covered-employee payroll	7.38%	7.40%	7.40%	7.40%

* Governmental Accounting Standards Board Statement No.68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information of Carlsbad Soil and Water Conservation District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

The accompanying notes are an integral part of these financial statements

Changes of Benefit Terms. The Public Employees Retirement Association of New Mexico (PERA) Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY17 audit available at: <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.pdf>

Changes of Assumptions. PERA Annual Actuarial Valuation as of June 30, 2017 report is available at: http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2016%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.

The accompanying notes are an integral part of these financial statements

Other Supplemental Information

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT

Schedule II

Bank Reconciliation - All Accounts
For the Year Ended June 30, 2018

	<u>Beginning Cash</u>	<u>Receipts</u>	<u>Distributions</u>	<u>Net Cash at Year End</u>
Carlsbad Soil and Water Conservation District General	\$ 965,777	\$ 2,719,745	\$ (1,715,652)	\$ 1,969,870
Total Carlsbad Soil and Water Conservatio	<u>\$ 965,777</u>	<u>\$ 2,719,745</u>	<u>\$ (1,715,652)</u>	<u>\$ 1,969,870</u>

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>
Carlsbad Soil and Water Conservation District Cash			
Carlsbad SWCD Operating Account	Checking	Western Commerce Bank	\$ 1,456,193
CSWCD	Savings	Carlsbad National Bank	95,725
Carlsbad SWCD	Savings	Eddy Federal Credit Union	110,201
Carlsbad SWCD	Savings	Financial Security Credit Union	202,645
Carlsbad SWCD	Money Market	Pioneer Bank	110,094
Total bank balances			1,974,858
Restricted cash			
Carlsbad SWCD	Debt Service	NM Finance Authority State Treasurer	857
Total bank and state treasurer balances			<u>\$ 1,975,715</u>
Total bank balances			\$ 1,974,858
Reconciling items - outstanding deposits			-
Reconciling items - outstanding checks			(5,845)
Total bank cash			1,969,013
Total restricted cash state treasurer balance			857
			<u>\$ 1,969,870</u>
Cash - Statement of Net Position			\$ 1,969,013
Restricted cash - Statement of Net Position			857
Total cash - Statement of Net Position			<u>\$ 1,969,870</u>

Pledged Collateral
 For the Year Ended June 30, 2018

Description	CUSIP #	Market Value	Maturity Date	Location
GNMA #8833	36202KY66	35,786	3/20/2026	FHLB, Dallas TX
GNMA #004216	36202EVH9	5,658	8/20/2038	FHLB, Dallas TX
GNMA #002689	36202C7A5	17,478	12/20/2028	FHLB, Dallas TX
GNMA #008453	36202KMA0	1,789	1/20/2019	FHLB, Dallas TX
GNMA #008121	36202KAW5	26,067	1/20/2019	FHLB, Dallas TX
GNMA #008666	36202KTX3	14,150	7/20/2020	FHLB, Dallas TX
GNMA #008792	36202KXV2	23,566	1/20/2026	FHLB, Dallas TX
GNMA #4511	36202FAK0	194,726	8/20/2039	FHLB, Dallas TX
FNMA #AB7788	31417EUN9	1,235,461	2/1/2043	FHLB, Dallas TX
		<u>1,554,681</u>		

Compliance Section

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

Wayne Johnson
New Mexico State Auditor
The Governing Board
Carlsbad Soil and Water Conservation District
Carlsbad, New Mexico

I 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 major fund, and the budgetary comparison of the general fund of Carlsbad Soil and Water Conservation District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated September 25, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



Sandra Rush CPA PC
Clovis, New Mexico
September 25, 2018

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Sandra Rush

Certified Public Accountant PC

1101 E Llano Estacado • Clovis, New Mexico 88101 • 575-763-2245

Independent Auditors' Report on Compliance for Each
Major Federal Program and Report on Internal Control
Over Compliance in Accordance with The Uniform Guidance

Wayne Johnson
The Governing Board
Carlsbad Soil and Water Conservation District
Carlsbad, New Mexico

Report on Compliance for the Major Federal Program

I have audited Carlsbad Soil and Water Conservation District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal program for the year ended June 30, 2018. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for the District's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for the major federal program. However, my audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In my opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2018.

Other Matters

The results of my auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weakness. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Sandra Rush CPA PC
Clovis, New Mexico
September 25, 2018

STATE OF NEW MEXICO
 CARLSBAD SOIL and WATER CONSERVATION DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2018

Schedule IV

Federal Grantor/Pass Through Grantor/Program Title	Federal C.F.D.A Number	Expenditures	Funds Provided to Subrecipients	Noncash Assistance
United States Department of the Interior (DOI) <i>Passthrough - Bureau of Land Management</i>				
Invasive and Noxious Plant Management	15.230	\$ 243,113	\$ -	\$ -
Fish, Wildlife and Plant Conservation Resource Management	15.231	1,198,046 *	-	-
		<u>\$ 1,441,159</u>	<u>\$ -</u>	<u>\$ -</u>

* Major Program

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
CARLSBAD SOIL and WATER CONSERVATION DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Carlsbad Soil and Water Conservation District (The District) and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the financial statements. The information in this schedule is presented in accordance with the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Loans

The District did not expend federal awards related to loans or loan guarantees during the year.

10% de minimus Indirect Cost Rate

The District did not elect to use the allowed 10% indirect cost rate.

Federally Funded Insurance

The District has no federally funded insurance.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Federal Awards	\$ 1,441,159
Total expenditures funded by other sources	<u>277,060</u>
Total expenditures per Statement of Revenues, Expenditures, and Changes in Fund Balances	<u><u>\$ 1,718,219</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 CARLSBAD SOIL and WATER CONSERVATION DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018

A. Summary of Auditors Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | None noted |

Federal Awards:

- | | |
|--|------------|
| 1. Type of auditors' report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) | None noted |
| 4. Identification of major programs:
CFDA 15.230 | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | No |

B. Findings in Accordance with Government Auditing Standards None noted

C. Findings in Accordance with New Mexico State Audit Rule None noted

D. Federal Findings None noted

E. Prior Year Audit Findings

2017-001	Uncollateralized Bank Deposits	Resolved
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Financial Statement Preparation

Although it would be preferred and desirable for the District to prepare its own GAAP-basis financial statements, it is felt that the District's personnel did not have the time to prepare them. Therefore, the outside auditor prepared the GAAP basis financial statements and footnotes for inclusion in the annual audit report from the original books and records provided to them by the management of the District. Management of the District has reviewed and approved these financial statements and related notes and believes they are adequately supported by the books and records of the government.

Exit Conference

The contents of this report were discussed with, Jim Carr, Board Member, Judy Bock, District Manager, and Sandra Rush, CPA, in an exit conference on October 17, 2018.

