

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
FOR THE YEAR ENDED JUNE 30, 2016
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STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
DIRECTORY OF OFFICIALS
JUNE 30, 2016

Official Roster

NAME	TITLE
Nathan Jurva	Chairperson
Ridley Garner	Vice-Chairperson
Jim Carr	Secretary/Treasurer
Kristin Pope	Supervisor
Charles Goodwin	Supervisor
Henry Vasquez	Supervisor
Lupe Carrasco	Supervisor

District Personnel

Judy Bock	District Manager
Judith Ortego	Administrative Assistant



Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner

INDEPENDENT ACCOUNTANTS' COMPILATION' REPORT

Mr. Timothy Keller, State Auditor
and the Mayor and Board of Directors of the
Carlsbad Soil and Water Conservation District, New Mexico

We have compiled the accompanying combining balance sheet and the combining statements of revenues, expenditures and changes in fund balance of the Carlsbad Soil and Water Conservation District (District) as of and for the year ended June 30, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements of the Carlsbad Soil and Water Conservation District, as of and for the year ended June 30, 2016, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that page 33 through page 34 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. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Management has elected to omit the statement of cash flows, government-wide financial statements, and notes related to the government-wide financial statements required by accounting principles generally accepted in the United States of America. If the omitted statement of cash flows, government-wide financial statements, and related note disclosures were included in the financial statements, they might influence the user's conclusions about the Village's financial position, respective changes in financial position, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Management has omitted the Management's Discussion and Analysis that governmental 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Beasley Mitchell & Co LLP

Beasley, Mitchell & Co.
Las Cruces, New Mexico
December 08, 2016

GOVERNMENTAL FUND STATEMENTS

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
COMBINING BALANCE SHEETS - GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General Fund</u>	<u>Intergovernmental Grants</u>	<u>Other Funds</u>	<u>Debt Services</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 654,851	\$ -	\$ 67,776	\$ 454	\$ 723,081
Accounts receivable	179,375	-	-	-	179,375
Taxes receivable	5,323	-	-	-	5,323
Due from other funds	167,307	-	-	-	167,307
Investments	-	-	-	1,277	1,277
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,277</u>	<u>1,277</u>
Total assets	<u>\$ 1,006,856</u>	<u>\$ -</u>	<u>\$ 67,776</u>	<u>\$ 1,731</u>	<u>\$ 1,076,363</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Current liabilities					
Due to other funds	<u>\$ -</u>	<u>\$ 167,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,307</u>
Total liabilities	-	167,307	-	-	167,307
FUND BALANCES					
Restricted, reported in:					
Special revenue funds	-	-	67,776	1,731	69,507
Unassigned, reported in:					
General fund	1,006,856	-	-	-	1,006,856
Special revenue funds	<u>-</u>	<u>(167,307)</u>	<u>-</u>	<u>-</u>	<u>(167,307)</u>
Total fund balances	<u>1,006,856</u>	<u>(167,307)</u>	<u>67,776</u>	<u>1,731</u>	<u>909,056</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,006,856</u>	<u>\$ -</u>	<u>\$ 67,776</u>	<u>\$ 1,731</u>	<u>\$ 1,076,363</u>

See independent accountants' compilation report and accompanying notes to financial statements

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Intergovernmental Grants</u>	<u>Other Funds</u>	<u>Debt Services</u>	<u>Total Governmental Funds</u>
REVENUES					
New Mexico Department of Agriculture	\$ 14,674	\$ -	\$ -	\$ -	\$ 14,674
Mill levy	361,101	-	-	-	361,101
State & local grants	-	34,552	-	-	34,552
BLM-NMACD	-	118,583	-	-	118,583
BLM-assistance agreements	-	400,170	-	-	400,170
Services revenue	18,834	-	-	-	18,834
Interest income	<u>1,225</u>	<u>-</u>	<u>-</u>	<u>101</u>	<u>1,326</u>
Total revenues	395,834	553,305	-	101	949,240

See independent accountants' compilation report and accompanying notes to financial statements

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Intergovernmental Grants</u>	<u>Other Funds</u>	<u>Debt Services</u>	<u>Total Governmental Funds</u>
EXPENDITURES					
Bond and insurance	\$ -	\$ -	\$ 5,409	\$ -	\$ 5,409
Building maintenance	7,186	-	-	-	7,186
Community projects	36,582	-	-	-	36,582
Contractual services	20,671	-	-	-	20,671
Dues and subscriptions	3,057	-	-	-	3,057
Salaries and benefits	115,058	-	-	-	115,058
Information and education	23,966	-	-	-	23,966
Mailing expense	414	-	-	-	414
Meeting expense	2,362	-	-	-	2,362
Per diem	3,940	-	-	-	3,940
Supplies	16,063	-	-	-	16,063
Utilities	4,691	-	-	-	4,691
Vegetation management	59,218	-	-	-	59,218
Vehicle operation and maintenance	1,712	-	-	-	1,712
Watershed project expense-state & local	-	77,807	-	-	77,807
Watershed project expense-federal	-	507,953	-	-	507,953
Local grants expense	-	32,000	-	-	32,000
BLM/NMACD other funds expense	-	10,800	-	-	10,800
ISC loan administration	-	-	1,300	-	1,300
Capital outlay	-	-	13,507	-	13,507
Debt service	-	-	12,538	-	12,538
Total expenditures	<u>294,920</u>	<u>628,560</u>	<u>32,754</u>	<u>-</u>	<u>956,234</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 100,914</u>	<u>\$ (75,255)</u>	<u>\$ (32,754)</u>	<u>\$ 101</u>	<u>\$ (6,994)</u>

See independent accountants' compilation report and accompanying notes to financial statements

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Intergovernmental Grants</u>	<u>Other Funds</u>	<u>Debitl Services</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES (USES):					
Transfer in	\$ 2,502	\$ -	\$ 100,530	\$ -	\$ 103,032
Transfer out	<u>-</u>	<u>(92,052)</u>	<u>-</u>	<u>(10,980)</u>	<u>(103,032)</u>
Total other sources (uses)	<u>2,502</u>	<u>(92,052)</u>	<u>100,530</u>	<u>(10,980)</u>	<u>-</u>
Net change in fund balance	103,416	(167,307)	67,776	(10,879)	(6,994)
Fund balance at beginning of year	<u>903,440</u>	<u>-</u>	<u>-</u>	<u>12,610</u>	<u>916,050</u>
Fund balance at end of year	<u>\$ 1,006,856</u>	<u>\$ (167,307)</u>	<u>\$ 67,776</u>	<u>\$ 1,731</u>	<u>\$ 909,056</u>

See independent accountants' compilation report and accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Carlsbad Soil and Water Conservation District (the "CSWCD") have been prepared in accordance with general accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the CSWCD's accounting policies are described below.

A. Reporting Entity

The Carlsbad Soil and Water Conservation 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.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the CSWCD is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Carlsbad SWCD may, without the approval or consent of another governmental entity, determine or modify its own budget, set rates or charges and issue bonded debt.

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). The District, a phase three government, was required to implement GASB statement 34, Basic Financial Statements. To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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

B. Basis of Presentation

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The CSWCD has presented the following major governmental funds:

General Fund - The General Fund is the general operating fund of the CSWCD and accounts for all revenues and expenditures of the CSWCD not encompassed within other funds.

Special Revenue Funds - The Special revenue fund is utilized to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes, including grant management.

Debt Services - The debt service fund was set up account for the District's Re-Loan program. The District receives low interest loans from the New Mexico Interstate Stream Commission (NMISC) to lend landowners in the District funds at low interest rates for projects to conserve irrigation water on their property.

Agency Fund - The agency fund is used to hold revenues received from the New Mexico State University on behalf of the soil and water conservation district participating in the Pecos River Salt Cedar Control Project. Agency funds are custodial in nature (assets equal liabilities), do not present results of operations and are accounted for using the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

C. Measurement Focus, and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Carlsbad SWCD considers property taxes as available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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

C. Measurement Focus, and Basis of Accounting (Continued)

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Cash, Cash Equivalents and Investments

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 investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The District is also allowed to invest in United States Government obligations. All funds for the District must follow the above investment policies.

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.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. All amounts are expected to be repaid within one year.

The loans receivable balance is considered fully collectible therefore no allowance for uncollectible accounts had been established.

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Property taxes attach 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 Eddy County Treasurer and are remitted to the District in the month following collection.

The District's accounts payable consist of amounts due to vendors and service providers such as subcontractors who have worked on conservation projects for the products purchased and service received in the current year but are paid for in the next fiscal year.

Net Position

Net position is presented on the statement of net position and may be presented in any of three components.

Net investment in capital assets

This component of net position 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. The portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. That portion of the debt is included in restricted for capital projects.

Restricted net position

Net position is reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Unrestricted net position

Unrestricted net position consists of net position that does not meet the definition of "Net investment in capital assets" or "restricted."

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.

STATE OF NEW MEXICO
 CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

In the governmental environment, net position often is designated to indicate that management does not consider them to be available for general operations. In contrast to restricted net position, these types of constraints on resources are internal and management can remove or modify them. However, enabling legislation established by the reporting government should not be construed as an internal constraint.

Capital Assets - Capital assets, which include property, buildings, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the CSWCD as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The construction period interest is not capitalized in the proprietary funds.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Assets	Years
Buildings	40 - 50
Building improvements	40
Public domain infrastructure	12 - 20
System infrastructure	20 - 30
Equipment	10 - 12
Vehicles	3 - 5
Computer equipment	5

Use of Restricted Funds - When both restricted and unrestricted resources are available for use, it is the CSWCD's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenue - The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

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.

Compensated Absences - CSWCD employees are entitled to certain compensated absences based on their employment classification and length of employment. With minor exceptions, the CSWCD allows 40 hour week employees to accumulate unused sick leave. Accumulated unused sick leave, however, is not paid upon termination from employment or retirement, but will be paid only upon illness while in the employment of the CSWCD. Accordingly, no provision for accumulated unused sick leave has been made in the accompanying financial statements.

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the CSWCD. Accumulated unused vacation is payable upon retirement or termination from employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Deferred Inflows - Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred inflows and reflected within the balance sheet.

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. All other inter-fund transfers are reported as operating transfers.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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.

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Implementation of New Accounting Standards

In 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. Earlier application is encouraged. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The CSWCD is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, GASB issued GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 - except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Carlsbad SWCD is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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

E. Implementation of New Accounting Standards (continued)

In 2015, the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The CSWCD is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The CSWCD is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Implementation of New Accounting Standards (continued)

In 2015, the GASB issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The CSWCD is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. The CSWCD is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, GASB issued GASB Statement No. 78, *The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.*

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Implementation of New Accounting Standards (continued)

In 2015, GASB issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

In 2016, GASB issued GASB Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended.

In 2016, GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Implementation of New Accounting Standards (continued)

In 2016, GASB issued GASB Statement No. 82, *Pension Issues An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets for the CSWCD are prepared prior to June 1 and must be approved by the Council Members and the New Mexico Department of Finance and Administration. Once the budget has been formally approved, the CSWCD Council Members and the Department of Finance and Administration must also approve any amendments. 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 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, Special Revenue Funds, and Proprietary Funds.

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2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

The CSWCD is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principals 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 principals, 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, 2016 is presented.

Budgetary Control

1. Prior to June 1, the CSWCD's Clerk-Treasurer submits the budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted in May and June to obtain taxpayers comments.
2. Prior to July 1, the budget is legally enacted through passage of an ordinance and then must be approved by Local Government Division of the State Department of Finance and Administration.
3. The CSWCD Council is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the State Department of Finance and Administration.
4. Formal budgetary integration is employed as a management control device during the year for all funds.
5. The level of budget authority is at the fund level.

STATE OF NEW MEXICO
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3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash.

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

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or 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.

Cash Deposited with Financial Institutions

The CSWCD maintains cash in one financial institution within Carlsbad, New Mexico. The CSWCD's deposits are carried at cost.

As of June 30, 2016, the amount of cash reported on the financial statements differs from the amount on deposit with the financial institution because of transactions in transit and outstanding checks. A summary of the reconciliation is as follows:

	<u>Amount Per Bank</u>	<u>Plus DIT</u>	<u>Outstanding Checks</u>	<u>Balance Per Books</u>
Financial Security Bank	\$ 201,432	\$ -	\$ -	\$ 201,432
Pioneer Savings Bank	109,545	-	-	109,545
Carlsbad National Saving Bank	94,388	-	-	94,388
Eddy Federal Bank	108,489	-	1,300	107,189
NM Finance Bank	454	-	-	454
Western Commerce Bank	<u>395,434</u>	<u>-</u>	<u>185,361</u>	<u>210,073</u>
Total	<u>\$ 909,742</u>	<u>\$ -</u>	<u>\$ 186,661</u>	<u>\$ 723,081</u>

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the CSWCD.

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3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (CONTINUED)

All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the CSWCD carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	Financial Per Bank	Pioneer Savings Bank	Carlsbad National Saving Bank	Eddy Federal Bank	NM Finance Bank	Western Commerce Bank
Amount held in bank June 30, 2016	\$ 201,432	\$ 109,545	\$ 94,388	\$ 108,489	\$ 454	\$ 395,434
Less FDIC insurance	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Uninsured public funds	<u>(48,568)</u>	<u>(140,455)</u>	<u>(155,612)</u>	<u>(141,511)</u>	<u>(249,546)</u>	<u>145,434</u>
50% Collateral requirements (Section 6-10-17 NMSA-1978)	-	-	-	-	-	72,717
Pledged securities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,662</u>
Over (under) collateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,945</u>

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report. According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Demand, 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.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of bank failure, the CSWCD's deposits may not be returned to it. The CSWCD does not have a deposit policy for custodial credit risk. As of June 30, 2016, none of the CSWCD's bank balance of \$145,434 was exposed to custodial credit risk.

STATE OF NEW MEXICO
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4. ACCOUNTS AND TAXES RECEIVABLES

Receivables as of June 30, 2016, were as follows:

	<u>Governmental Activities</u>
Taxes:	
Property taxes	\$ 5,323
Other receivables:	
Grants receivable	<u>179,375</u>
	<u>\$ 184,698</u>

Taxes receivable for the governmental funds consists primarily of taxes collected by the collection agency in the current year but not remitted to the CSWCD until after year-end. All governmental fund receivables are considered collectible.

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5. CAPITAL ASSETS

Capital asset activity for the CSWCD's primary government for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government activities:					
Capital assets not being depreciated:					
Land	\$ <u>20,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>20,000</u>
Total capital assets not being depreciated	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Capital Assets, being depreciated					
Buildings and improvements	496,845	(36,583)	-	-	460,262
Information technology	-	6,571	-	-	6,571
Land improvements	-	36,584	6,700	-	43,284
Vehicles	77,180	(19,233)	-	-	57,947
Equipment	<u>26,445</u>	<u>(3,176)</u>	<u>6,806</u>	<u>-</u>	<u>30,075</u>
Total capital assets, being depreciated	<u>600,470</u>	<u>(15,837)</u>	<u>13,506</u>	<u>-</u>	<u>598,139</u>
Total capital assets	<u>620,470</u>	<u>(15,837)</u>	<u>13,506</u>	<u>-</u>	<u>618,139</u>
Less accumulated depreciation for:					
Accumulated depreciation	<u>173,219</u>	<u>15,337</u>	<u>20,649</u>	<u>-</u>	<u>209,205</u>
Total accumulated depreciation	<u>173,219</u>	<u>15,337</u>	<u>20,649</u>	<u>-</u>	<u>209,205</u>
Total other capital assets, net	<u>\$ 447,251</u>	<u>\$ (31,174)</u>	<u>\$ (7,143)</u>	<u>\$ -</u>	<u>\$ 408,934</u>

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6. PROPERTY TAXES

Union County collects the CSWCD's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the CSWCD on a monthly basis. The CSWCD accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues for the budget presentation.

7. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

The CSWCD adopted GASB 68 during the year ended June 30, 2016. GASB 68, *Accounting and Financial Reporting for Pensions*, requires contributing employers of cost-sharing multiple employer defined benefit pension plans to include the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources related to their share of the pension plan in their government-wide financial statement presentation. PERA engaged their financial statement auditors to prepare a schedule allocating these obligations to the contributing employers as of the year ended June 30, 2015. As part of adopting GASB 68 during the current year, the CSWCD recognized a Net Pension Liability (NPL), which represents the CSWCD's share of the underfunded pension obligation at June 30, 2016.

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.

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7. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at:

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

Contributions. The contribution requirements of defined benefit plan members and the (name of employer) are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures

on pages 29 through 31 of the PERA FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage options that apply to the CSWCD is Municipal General Division. Statutorily required contributions to the pension plan from the CSWCD were \$5,791 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The CSWCD'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, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts.

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 NOTES TO BASIC FINANCIAL STATEMENTS
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7. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

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 PERA Fund Division Municipal General, at June 30, 2015, the CSWCD reported a liability of \$82,587 for its proportionate share of the net pension liability. At June 30, 2015, the CSWCD's proportion was 0.0072%, which was unchanged from its proportion measured as of June 30, 2015, due to the insignificance of the difference.

For the year ended June 30, 2015, the CSWCD recognized PERA Fund Division Municipal General pension expense of \$2,343 . At June 30, 2015, the CSWCD reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred inflows of Resources
Change in Assumption	\$ -	\$ 32
Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	261
Difference Between Expected and Actual Experience	-	1,829
Change in proportion and differences between employer contribuions and proportionate share of contributions	1,191	-
Contributions Made After Measurement Date	<u>5,769</u>	<u>-</u>
TOTAL	<u>\$ 6,960</u>	<u>\$ 2,122</u>

In June 30, 2016 \$6,960, deferred outflows - contributions made after measurement date, will be recognized as a reduction of net pension liability. Other deferred amounts to be recognized in fiscal years following the reporting date are below:

Year Ended June 30:	
2016	\$ (2,187)
2017	(2,187)
2018	(2,187)

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7. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

2019

4,439

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, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
- Investment rate of return	7.75% annual rate, net of investment expense
Projected benefit payment	100 years
-Payroll growth	3.50% annual rate
-Projected salary increases	3.50% to 14.25% annual rate
-Includes inflation at	3.00% annual rate
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirees, employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience study dates	July 1, 2008 to June 30, 2013

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:

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7. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.1 %	5.00 %
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	<u>4.0</u>	4.15
Total	100.0 %	

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On 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 longterm 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 net pension liability to changes in the discount rate:

The following presents the net pension liability of the CSWCD, calculated using the discount rate of 7.75 percent, as well as what the CSWCD's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Current 7.75%	1% Increase 8.75%
Net Pension Liability	\$ 140,612	\$ 82,587	\$ 34,342

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. Employers should disclose the amount of payables to the Plan with a description of what gave rise to the payable per GASBS 68, paragraphs 122 and 124. At June 30, 2015, there was no payable to the plan.

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8. RISK MANAGEMENT

The CSWCD is exposed to various risks of loss related to torts, theft of or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

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 District. 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 surety bond on behalf of persons responsible for District assets. The District currently maintains a \$100,000 surety bond as well as commercial property coverage. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

Tort claims are generally limited by the Tort Claims Act, Section 41-4-1 et. Seq, NMSA, 1978. The CSWCD retains some risk for coverage which may be less than the tort claims limitation. Certain claims relating to certain public construction, operation of motor vehicles, building maintenance and certain health care activities are exempt from the Act.

General Liability Insurance: The policy provides an annual aggregate coverage of \$4,000,000 with \$400,000 per person for bodily injury and \$750,000 per occurrence. Property damage coverage is for \$100,000 per occurrence.

Workers' Compensation Insurance: The policy limits provides coverage of \$1,050,000 per occurrence and \$1,050,000 annual aggregate coverage.

Property Insurance: Property insurance insures CSWCD buildings for an aggregate of \$1,396,033, including contents, with separate electronic data processing equipment of \$9,000. Deductibles are \$250 per occurrence. Automobile comprehensive is included with a deductible of \$250.

Fidelity Bond: Blanket fidelity bond coverage in the amount of \$500,000 with deductible of \$10,000 is provided.

The New Mexico Self Insurer's Fund assesses a premium to the CSWCD to cover expenses of the fund which includes claims, reinsurance expenses, administration and other costs.

Risk management activities are reported primarily in the General Fund. Other funds may reimburse the General Fund for certain coverage. The CSWCD has not significantly reduced Insurance coverage from the prior year. Settlements have not exceeded Insurance coverage for the past three years. Management is not aware of any outstanding claims.

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9. INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2016 consisted the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 2,502	\$ -
Intergovernmental fund	-	(92,052)
Other fund	100,530	-
Debt services	-	(10,980)
	<u>\$ 103,032</u>	<u>\$ (103,032)</u>

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 08, 2016 the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2016

The financial statements of the Carlsbad Soil and Water Conservation District as of, and for the year ended, June 30, 2016 were prepared by Beasley, Mitchell & Co., LLP, with the aid of responsible Carlsbad SWCD personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.

STATE OF NEW MEXICO
CARLSBAD SOIL AND WATER CONSERVATION DISTRICT
ENTRANCE AND EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2016

An entrance conference was conducted September 26, 2016 in a closed meeting of the Carlsbad Soil and Water Conservation District pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Carlsbad Soil & Water Conservation District

Judy Bock	District Manager
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Beasley, Mitchell & Co., LLP

Amr Sakka	Staff, Audit Department
Robert Garcia	Clerical Staff

An exit conference was conducted September 30, 2016 in a closed meeting of the Carlsbad Soil and Water Conservation District pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Carlsbad Soil And Water Conservation District

Judy Bock	District Manager
Jim Carr	Secretary/Treasurer

Beasley, Mitchell & Co., LLP

Amr Sakka	Staff, Audit Department
Robert Garcia	Clerical Staff

STATE OF NEW MEXICO
CARLSBAD SOIL & WATER CONSERVATION DISTRICT
TIER 6 AGREED UPON PROCEDURES REPORT
FOR THE YEAR ENDED JUNE 30, 2016

STATE OF NEW MEXICO
CARLSBAD SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
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FOR THE YEAR ENDED JUNE 30, 2016

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STATE OF NEW MEXICO
CARLSBAD SOIL & WATER CONSERVATION DISTRICT
DIRECTORY OF OFFICIALS
JUNE 30, 2016

Board of Supervisors

NAME	TITLE
Nathan Jurva	Chairperson
Ridkey Garner	Vice-Chairperson
Jim Carr	Secretary/Treasurer
Kristin Pope	Supervisor
Charles Goodwin	Supervisor
Henry Vasquez	Supervisor
Lupe Carrasco	Supervisor

District Personnel

Judy Bock	District Manager
Judith Ortego	Administrative Assistant



Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Timothy Keller, State Auditor
and the Mayor and Village Council of the
Carlsbad Soil & Water Conservation District, New Mexico

We have performed the procedures enumerated in the attached schedule of procedures and results, which were agreed to by the Office of the State Auditor and the Carlsbad Soil & Water Conservation District, have specified, listed in the attached schedule, as required by Tier 6 of the Audit Act- Section 12-6-3B(6) NMSA 1978 and Section 2.2.2.16 NMAC for the year ended. Carlsbad Soil & Water Conservation District's management is responsible for the district's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are included in the attached schedule of procedures and findings.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Carlsbad Soil and Water Conservation District, the New Mexico State Auditor's Office, Department of Finance Administration, Local Government Division, and the New Mexico Legislature and is not intended to be and should not be used by anyone other than those specified parties.

Beasley Mitchell & Co. LLP
Beasley, Mitchell & Co.
Las Cruces, New Mexico
December 8, 2016

STATE OF NEW MEXICO
CARLSBAD SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF PROCEDURES AND RESULTS

1. Revenue Calculation and Tier Determination

Procedures

Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osa.org under "Tiered System Reporting Main Page".

Results of Procedure

Carlsbad Soil & Water Conservation District (CSWCD) had revenue of \$441,286, therefore a Tier 6 agreed upon procedure engagement is required.

2. Cash

Procedures

- a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.
- b) Perform a random test of bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Governments Division.
- c) Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

STATE OF NEW MEXICO
CARLSBAD SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF PROCEDURES AND RESULTS

2. Cash (Continued)

Results of Procedure

- a) We obtained the bank statements and corresponding reconciliation's for all of the CSWCD's accounts as of June 30, 2016. No exceptions were noted as a result of this procedure. Bank reconciliation's were completed in a timely manner, and all bank statements and reconciliation's are complete and on hand.
- b) Two out of four DFA reports were selected for the year ended June 30, 2016. No exceptions were noted as a result of this procedure.
- c) Carlsbad Soil & Water Conservation District had pledge collateral of \$213,662 CSWCD is in compliance with collateralizing uninsure deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act.

3. Capital Assets

Procedures

Verify that the local public body performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

Results of Procedure

The CSWCD last inventory count was completed during FYE 2016.

4. Debt

Procedures

If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements.

Results of Procedure

We obtained the annual debt statements, sent confirmaitons, and verified that all payments were made during the year. CSWCD is in compliance with debt service requirements.

STATE OF NEW MEXICO
CARLSBAD SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF PROCEDURES AND RESULTS

5. Revenue

Procedures

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

- a) Perform an analytical review, test actual revenue compared to budgeted revenue for the year for each type of revenue.

Select a sample of revenues based on auditor judgment and test using the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

Results of Procedure

- a) Actual revenue compared to budgeted revenue for the fiscal year is reasonable and within expectations. The variance analysis for budgets to actual may be noted in the Budgetary analysis in pages 9-12.
- b) A sample of 7 revenues totaling \$673,558 were tested. No exceptions were noted as a result of this procedure. Amounts recorded in the general ledger agreed with supporting documents.
- c) A sample of 7 revenues totaling \$673,558 were tested. No exceptions were noted as a result of this procedure. Amounts were recorded on a cash basis as to classification, amount and period per review of supporting documentation.

STATE OF NEW MEXICO
CARLSBAD SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF PROCEDURES AND RESULTS

6. Expenditures

Procedures

Select a sample of cash disbursements based on auditor judgment and test using the following attributes:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contact and canceled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Results of Procedure

- a) 25 expenditures totaling \$58,718 were tested. No exceptions were noted as a result of this procedure. The amounts recorded as disbursed agreed to supporting documentation: amount paid, payee date and description agreed with the vendor's invoice, purchase order, contract, and cancelled check, as appropriate.
- b) The 25 disbursements tested were properly authorized and approved in compliance with the budget, legal requirements, and established policies and procedures.
- c) There were no exceptions noted as a result of this procedure for the bid process (or request for proposal process, if applicable), contracts and agreements were processed in accordance with the New Mexico Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

STATE OF NEW MEXICO
CARLSBAD SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF PROCEDURES AND RESULTS

7. Journal Entries

Procedures

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes.

- a) Journal entries appear reasonable and have supporting documentation.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Results of Procedure

- a) We reviewed all non-routine journal entries and they, all have supporting documentation and appear reasonable.
- b) Per inquiry with management, Carlsbad Soil & Water Conservation District does not have a review process for adjusting journal entries (see finding 2016-001).

8. Budget

Procedures

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- a) Verify, through a review of the minutes and correspondence and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.
- b) Determine if the total actual expenditures exceeded the final budgets at the legal level of budgetary control; if so, report a compliance finding.
- c) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures - budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

STATE OF NEW MEXICO
CARLSBAD SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF PROCEDURES AND RESULTS

8. Budget (Continued)

Results of Procedure

- a) The review of Board minutes and letter from the State indicated that the budget and budget adjustments were approved by the board and the DFA.
- b) Total actual expenditures from the general ledger did exceeded budgeted amounts.
- c) A schedule of revenue and expenses - budget and actual was prepared from Carlsbad Soil & Water Conservation District records on cash budgetary basis on pages 9-12.

9. Capital Outlay Appropriations

Procedures

Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year. Test all capital outlay expenditures during the fiscal year to:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b) Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.
- c) Determine that the bid process (or request for proposal process is applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.

STATE OF NEW MEXICO
CARLSBAD SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF PROCEDURES AND RESULTS

9. Capital Outlay Appropriations (Continued)

Procedures (Continued)

- e) Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.
- f) If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.
- h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

Results of Procedure

- a) No exceptions were noted as result of this procedure. The amounts recorded agreed to supporting documentation: Amount paid, payee, date and description agreed with the vendor's invoice, contract and cancelled check, as appropriate.
- b) No exception were noted as a result of this procedure. The disbursements were properly authorized and approved in compliance with the budget, legal requirement, and established policies and procedures.

STATE OF NEW MEXICO
CARLSBAD SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF PROCEDURES AND RESULTS

9. Capital Outlay Appropriations (Continued)

Results of Procedure (Continued)

- c) No exception were noted as a result of this procedure, the capital assets were existed during the observation.
- d) No exception were noted as a result of this procedure, the capital assets were existed during the observation.
- e) The reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger in Carlsbad Soil & Water Conservation District's QuickBooks.
- f) No exceptions were noted as a result of this procedure
- g) No exceptions were noted as a result of this procedure
- h) No exceptions were noted as a result of this procedure
- i) No exceptions were noted as a result of this procedure

10. Other

Procedures

If Information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(1)(3)(C) NMAC.

Results of Procedure

Please refer to the schedule of findings responses on pages 14-15. (2016-002)

STATE OF NEW MEXICO
CARLSBAD SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Property Tax	\$ 315,000	\$ 361,200	\$ 361,101	\$ (99)
Interest income	900	1,300	1,225	(75)
NMDA	14,000	18,900	18,834	(66)
Miscellaneous revenue	<u>1,300</u>	<u>14,700</u>	<u>14,674</u>	<u>(26)</u>
Total revenues	331,200	396,100	395,834	(266)
EXPENDITURES:				
Salaries and benefits	135,000	115,100	115,058	42
Mileage and per diem	3,000	4,000	3,940	60
Vehicle expense	2,500	1,714	1,712	2
Building expenses	6,000	7,300	7,186	114
Utilities	6,500	4,850	4,691	159
Postage expense	675	575	414	161
Office supplies and other expenses	12,000	16,200	16,063	137
Advertising and public relations	20,000	24,000	23,966	34
Annual audit/financial report Expenses	20,675	20,675	20,671	4
Dues and board fees	3,000	3,100	3,057	43
Cost sharing expense	37,500	36,600	36,582	18
Brush control expenses	45,000	60,000	59,218	782
Miscellaneous	<u>3,000</u>	<u>2,400</u>	<u>2,362</u>	<u>38</u>
Total expenditures	<u>294,850</u>	<u>296,514</u>	<u>294,920</u>	<u>1,594</u>
Deficiency of revenues over expenditures	<u>36,350</u>	<u>99,586</u>	<u>100,914</u>	<u>1,328</u>
Net changes in fund balance	<u>36,350</u>	<u>99,586</u>	<u>100,914</u>	<u>1,328</u>
Fund balance - end of the year	<u>\$ 36,350</u>	<u>\$ 99,586</u>	<u>\$ 100,914</u>	<u>\$ 1,328</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 100,914</u>	
Net change in fund balance GAAP basis			<u>\$ 100,914</u>	

STATE OF NEW MEXICO
CARLSBAD SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
INTERGOVERNMENTAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final	Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:					
Federal grants	\$ 450,000	\$ 508,200	\$ 518,753	\$ 10,553	
Private grants	280,000	40,800	-	(40,800)	
State grants	-	6,000	34,552	28,552	
	<u>730,000</u>	<u>555,000</u>	<u>553,305</u>	<u>(1,695)</u>	
Total revenues					
EXPENDITURES:					
Local grants	-	32,000	32,000	-	
State grants	-	11,300	10,800	500	
Federal grants	450,000	508,000	507,953	47	
Private grants	280,000	77,807	77,807	-	
	<u>730,000</u>	<u>629,107</u>	<u>628,560</u>	<u>547</u>	
Total expenditures					
Net changes in fund balance	<u>-</u>	<u>(74,107)</u>	<u>(75,255)</u>	<u>(1,148)</u>	
Fund balance - end of the year	<u>\$ -</u>	<u>\$ (74,107)</u>	<u>\$ (75,255)</u>	<u>\$ (1,148)</u>	
Reconciliation of budgetary basis to GAAP basis:					
Net change in fund balance budgetary basis			<u>\$ (75,255)</u>		
Net change in fund balance GAAP basis			<u>\$ (75,255)</u>		

STATE OF NEW MEXICO
CARLSBAD SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
OTHER FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final</u>	<u>Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:					
Project income - reloan program	\$ 1,300	\$ 1,350	\$ -	\$ -	\$ (1,350)
Total revenues	1,300	1,350	-	-	(1,350)
EXPENDITURES:					
Loan payments	12,650	12,650	12,538	12,538	112
Loan program expenses	1,300	1,300	1,300	1,300	-
Bonding	6,000	5,500	5,409	5,409	91
Capital outlay	<u>10,000</u>	<u>13,600</u>	<u>13,507</u>	<u>13,507</u>	<u>93</u>
Total expenditures	<u>29,950</u>	<u>33,050</u>	<u>32,754</u>	<u>32,754</u>	<u>296</u>
Excess of revenues over expenditures	<u>(28,650)</u>	<u>(31,700)</u>	<u>(32,754)</u>	<u>(32,754)</u>	<u>(1,054)</u>
Net changes in fund balance	<u>(28,650)</u>	<u>(31,700)</u>	<u>(32,754)</u>	<u>(32,754)</u>	<u>(1,054)</u>
Fund balance - end of the year	<u>\$ (28,650)</u>	<u>\$ (31,700)</u>	<u>\$ (32,754)</u>	<u>\$ (32,754)</u>	<u>\$ (1,054)</u>
Reconciliation of budgetary basis to GAAP basis:					
Net change in fund balance budgetary basis				\$ (32,754)	
Net change in fund balance GAAP basis				<u>\$ (32,754)</u>	

STATE OF NEW MEXICO
CARLSBAD SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
SPECIAL REVENUE FUND - AMBULANCE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final</u>	<u>Budget</u>	<u>Actual on</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES:					
Investment Income	\$ <u> 1</u>	\$ <u> 15</u>	\$ <u> 101</u>	\$ <u> 86</u>	
Total revenues	<u> 1</u>	<u> 15</u>	<u> 101</u>	<u> 86</u>	
 Excess (deficiency) of revenues over expenditures	 <u> 1</u>	 <u> 15</u>	 <u> 101</u>	 <u> 86</u>	
 Net changes in fund balance	 <u> 1</u>	 <u> 15</u>	 <u> 101</u>	 <u> 86</u>	
 Fund balance - end of the year	 <u>\$ 1</u>	 <u>\$ 15</u>	 <u>\$ 101</u>	 <u>\$ 86</u>	
 Reconciliation of budgetary basis to GAAP basis:					
Net change in fund balance budgetary basis			<u>\$ 101</u>		
 Net change in fund balance GAAP basis			 <u>\$ 101</u>		

STATE OF NEW MEXICO
CARLSBAD SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

PRIOR YEAR FINDINGS:

No findings

CURRENT YEAR FINDINGS:

2016-001 Journal Entries - Significant Deficiency

2016-002 Per Diem - Significant Deficiency

STATE OF NEW MEXICO
CARLSBAD SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

Journal Entries (2016-001) - Significant Deficiency

CONDITION	During journal entry testwork performed, it was noted that the CSWCD does not have a review and approval process in place for the recording of manual journal entries.
CRITERIA	NMAC 2.20.5.8 states that each local body shall establish and maintain an internal control structure to provide management with reasonable assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP. The internal control structure shall include written administrative controls. The entity should establish sufficient internal controls over journal entries and other adjustments.
CAUSE	The CSWCD has limited staffing resources, thus has not implemented an approval process over adjustments to mitigate the risk of management override
EFFECT	There may be unauthorized adjustments made, leaving room for error and management override.
RECOMMENDATION	We recommend that the CSWCD implement a review and approval process for journal entries and other adjustments to mitigate the risk of management override or financial statement manipulation.
RESPONSE	Regular quarterly journal entries are prepared to record reimbursable administrative expenses on federal assistance agreements and state or local grant funding. Also recorded quarterly, are the New Mexico Finance Authority activities. A copy of the journal entries and backup will be provided for the board members to review and approve/disapprove as they occur.

EXPECTED COMPLETION DATE: June 30, 2017

EMPLOYEE RESPONSIBLE: District Manager

STATE OF NEW MEXICO
CARLSBAD SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

Per Diem (2016-002) - Significant Deficiency

CONDITION	During the per diem testwork performed, it was noted that the CSWCD used 0.57 per mileage instead of using 0.56 for mileage reimbursement. Two out of five per diem tested used 0.57 per mile which amounted to be a \$15 difference and a 2.61% discrepancy.
CRITERIA	CSWCD should use the approved rate to reimburse the mileage set by the board of directors minutes on 02/14/2011.
CAUSE	District Manager miscalculated the mileage reimbursement because she used the prior year form with old rate.
EFFECT	It will lead the CSWCD to over pay the reimbursement per mileage.
RECOMMENDATION	It is recommended that the CSWCD have a second person review the per diem paperwork and calculations.
RESPONSE	At the February 14, 2011 Carlsbad SWCD board meeting the board of directors adopted as a policy to use each year's previous Internal Revenue Service (IRS) mileage rate for vehicle reimbursement rate. The New Mexico Department of Agricultural provides the SWCDs the IRS mileage rate each December for the following year. Based on this, the Carlsbad SWCD under paid on four out of six per diem checks using 0.56 per mile instead of 0.575 per mile for an underpayment of \$31.41 and overpaid on one out of six per diem checks using 0.57 per mile instead of 0.56 for an overage of \$6.47. The Carlsbad SWCD will make it a point to ensure the proper mileage rate is used in the future.

EXPECTED COMPLETION DATE: June 30, 2017

EMPLOYEE RESPONSIBLE: District Manager