

STATE OF NEW MEXICO

**EAST RIO ARRIBA
SOIL AND WATER
CONSERVATION DISTRICT**

ACCOUNTANTS' COMPILATION REPORT

FOR THE YEAR-ENDED JUNE 30, 2018



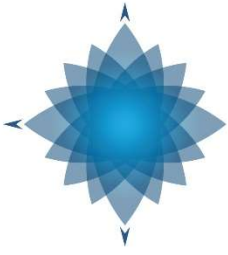
**STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2018**

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**STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2018**

| <u>Board of Supervisors</u> | <u>Title</u> |
|------------------------------------|---------------------|
| Kenneth V. Salazar | Chairperson |
| Ross Garcia Jr. | Vice-Chairperson |
| Ted Salazar | Secretary/Treasurer |
| Leroy J. Salazar | Member |
| J. Lucas Cordova | Member |

| <u>District Personnel</u> | |
|----------------------------------|--------------------------|
| Marcos Valdez | District Manager |
| Clara Dubois | Administrative Assistant |



Independent Accountants' Compilation Report

Wayne Johnson
New Mexico State Auditor
and
Kenneth V. Salazar, Chairperson
East Rio Arriba Soil and Water Conservation District
Hernandez, New Mexico

Management is responsible for the accompanying financial statements of the governmental activities, the major fund, of the State of New Mexico East Rio Arriba Soil and Water Conservation District (District) as of and for the year ended June 30, 2018, 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 supplementary information on page 28-30 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 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 omitted the management's discussion and analysis information 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Integrity Accounting + Consulting, LLC

Integrity Accounting & Consulting, LLC
Albuquerque, NM
November 30, 2018

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
As of June 30, 2018

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets and deferred inflows of resources: | |
| Assets: | |
| Cash and cash equivalents | \$ 503,705 |
| Investments | |
| Receivables | |
| Taxes receivable | 131,972 |
| Due from other governments | 23,515 |
| Total current assets | <u>659,192</u> |
| Non-current assets: | |
| Capital assets | 1,613,637 |
| Less: Accumulated depreciation | <u>(137,314)</u> |
| Total non-current assets | <u>1,476,323</u> |
| Total assets | <u>2,135,515</u> |
| Deferred Outflows of Resources: | |
| Employer contributions subsequent to the measurement date | 4,403 |
| Investment experience | 7,779 |
| Actuarial experience | 3,725 |
| Change of assumption | 4,372 |
| Change of proportion | 3,619 |
| Total deferred outflows of resources | <u>23,898</u> |
| Total assests and deferred outflows of resources | <u>\$ 2,159,413</u> |
| Liabilities, deferred inflows of resources and net position: | |
| Liabilities: | |
| Accounts payable | \$ 2,293 |
| Current portion of compensated absences | 391 |
| Current portion of long-term debt | 38,273 |
| Total current liabilities | <u>40,957</u> |
| Non-current liabilities | |
| Notes payable | 1,116,758 |
| Net pension liability | 94,812 |
| Total non-current liabilities | <u>1,211,570</u> |
| Total liabilities | <u>1,252,527</u> |
| Deferred Inflows of Resources: | |
| Actuarial experience | 4,856 |
| Change of assumption | 980 |
| Change of proportion | 2,843 |
| Total deferred inflows of resources | <u>8,679</u> |
| Net position | |
| Net Investment in Capital Assets | 321,292 |
| Restricted for debt service | 124,874 |
| Unrestricted Net Position | 452,041 |
| Total net position | <u>898,207</u> |
| Total liabilities, deferred inflows of resources and net position: | <u>\$ 2,159,413</u> |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

| Functions/programs | Program Revenues | | | | Net (Expense) Revenue and Changes In Net Assets |
|--|---------------------------------|---|---|--|--|
| Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Governmental Activities | |
| Primary government: | | | | | |
| Governmental activities | | | | | |
| Conservation | \$ 403,067 | 73,313 | 78,710 | - | (251,044) |
| Interest expense | 50,397 | - | - | - | (50,397) |
| Total governmental activities | \$ 453,464 | 73,313 | 78,710 | - | (301,441) |
| Total primary government | | | | | (301,441) |
| General revenues: | | | | | |
| Taxes | | | | | |
| Property taxes levied for general purposes | | | | \$ 354,025 | |
| Interest income | | | | 1,856 | |
| Total general revenue and transfers | | | | 355,881 | |
| Changes in net assets | | | | | 54,440 |
| Beginning net position | | | | | 698,933 |
| Restatement | | | | | 144,834 |
| Beginning net position, as restated | | | | | 843,767 |
| Net position, end of year | | | | \$ | 898,207 |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2018

| | General Fund |
|---|---------------------|
| Assets and deferred inflows of resources: | |
| Assets: | |
| Cash and cash equivalents | \$ 503,705 |
| Receivables | |
| Taxes receivable | 131,972 |
| Due from other governments | 23,515 |
| Total assets | 659,192 |
| Deferred Outflows of Resources: | |
| Total deferred outflows of resources | - |
| Total assets and deferred outflows of resources | \$ 659,192 |
| Liabilities, deferred inflows of resources and fund balances: | |
| Liabilities: | |
| Accounts payable | \$ 2,293 |
| Total liabilities | 2,293 |
| Deferred Inflows of Resources: | |
| "Unavailable" revenues | 117,122 |
| Total deferred inflows of resources | 117,122 |
| Fund balances: | |
| Restricted - Debt service required reserves | 124,874 |
| Unassigned | 414,903 |
| Total fund balances | 539,777 |
| Total liabilities, deferred inflows of resources and fund balances: | \$ 659,192 |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
TO THE STATEMENT OF NET POSITION
As of June 30, 2018

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

| | | | |
|--|----|-----------------|-----------------------|
| Total fund balance - Governmental funds | \$ | 539,777 | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. | | | 1,476,323 |
| Delinquent property tax not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred inflows of resources in the fund financial statements, but are considered revenue in the statement of activities. | | | 117,122 |
| 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: | | | |
| Employer contributions subsequent to the measurement date | | | 4,403 |
| Investment experience | | | 7,779 |
| Actuarial experience | | | 3,725 |
| Change of assumption | | | 4,372 |
| Change of proportion | | | 3,619 |
| Deferred inflows of resources related to: | | | |
| Actuarial experience | | | (4,856) |
| Change of assumption | | | (980) |
| Change of proportion | | | (2,843) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of: | | | |
| Current compensated absences | \$ | (391) | |
| Current notes payable | | (38,273) | |
| Noncurrent notes payable | | (1,116,758) | |
| Net pension liability | \$ | <u>(94,812)</u> | |
| | | | <u>(1,250,234)</u> |
| Net position for governmental activities | \$ | | <u><u>898,207</u></u> |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

| | General Fund |
|---|---------------------|
| Revenues: | |
| Taxes | |
| Property | \$ 347,665 |
| Licenses and permits | |
| Charges for services | 73,313 |
| Fines and forfeitures | |
| Intergovernmental revenue | |
| Federal grants | |
| State grants | 78,710 |
| Interest income | 1,856 |
| Total revenues | 501,544 |
| Expenditures: | |
| Current: | |
| Conservation | |
| Personnel costs | 171,685 |
| Operating costs | 192,757 |
| Capital outlay | 36,427 |
| Debt service | |
| Principal | 37,389 |
| Interest | 50,397 |
| Total expenditures | 488,655 |
| Excess (deficiency) of revenues over (under) expenditures | 12,889 |
| Other financing sources (uses): | |
| Proceeds from debt issuance | - |
| Total other financing sources (uses): | - |
| Net change in fund balances | 12,889 |
| Beginning fund balance | 498,590 |
| Restatement | 28,298 |
| Beginning fund balance, as restated | 526,888 |
| Ending fund balance | \$ 539,777 |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
As of June 30, 2018

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

| | | |
|--|----|----------|
| Total net change in fund balances-governmental funds | \$ | 12,889 |
| <p>Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimates useful lives and reported as depreciation expense.</p> | | |
| Capital expenditures recorded as capital outlay or other expenses | | 51,635 |
| <p>Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore depreciation expense is not reported as an expenditure in the governmental funds.</p> | | |
| | | (26,167) |
| <p>In the statement of activities, a gain/loss is recorded for assets that are removed from service that are not fully depreciated. Thus the change in net position differs from the change in fund balance by the amount of the gain/loss recorded for deleted capital assets.</p> | | |
| | | (22,414) |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| Change in deferred inflows of resources related to property taxes receivable | | 6,360 |
| <p>The issuance of long-term debt (e.g. bonds, notes, capital 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. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p> | | |
| (Increase)/decrease in compensated absences | | 902 |
| Principal payments on long-term debt | | 37,389 |
| <p>Governmental funds report 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:</p> | | |
| Employer contributions subsequent to the measurement date | | 4,403 |
| Pension expense | | (10,557) |
| | | (10,557) |
| Change in net position of governmental activities | \$ | 54,440 |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|--|-------------------------|----------------|------------------|------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | | | | |
| Property | \$ 346,608 | 346,608 | 345,441 | (1,167) |
| Charges for services | 68,710 | 68,710 | 73,313 | 4,603 |
| Intergovernmental revenue | | | | |
| State grants | 71,599 | 71,599 | 70,923 | (676) |
| Interest income | 184 | 184 | 114 | (70) |
| Total revenues | <u>487,101</u> | <u>487,101</u> | <u>489,791</u> | <u>2,690</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Conservation | | | | |
| Personnel costs | 168,571 | 168,571 | 174,384 | (5,813) |
| Operating costs | 206,092 | 206,092 | 192,219 | 13,873 |
| Capital outlay | 58,717 | 58,717 | 36,702 | 22,015 |
| Debt service | | | | |
| Principal | 36,288 | 36,288 | 37,543 | (1,255) |
| Interest | 51,497 | 51,497 | 50,243 | 1,254 |
| Total expenditures | <u>521,165</u> | <u>521,165</u> | <u>491,091</u> | <u>30,074</u> |
| Excess (deficiency) of revenues over (under) expenditures | (34,064) | (34,064) | (1,300) | (27,384) |
| Other financing sources (uses): | | | | |
| Total other financing sources (uses): | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | (34,064) | (34,064) | <u>(1,300)</u> | <u>(27,384)</u> |
| Budgeted cash carryover | <u>34,064</u> | <u>34,064</u> | | |
| Net change in fund balance | <u>\$ -</u> | <u>-</u> | | |
| Reconciliation From Budget/Actual to GAAP | | | | |
| Net change in fund balance (Non-GAAP budgetary basis) | | | \$ (1,300) | |
| Adjustments to revenue for tax accruals and other miscellaneous revenue accruals | | | 11,753 | |
| Adjustments to expenditures for accrued wages and expenditures | | | <u>2,436</u> | |
| Net change in fund balance (GAAP) | | | <u>\$ 12,889</u> | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The East Rio Arriba Soil and Water Conservation District (District) is organized under the provisions of the Soil and Water Conservation District Act (73-20-25 through 73-20-49 NMSA 1978). The District is a governmental subdivision of the state, a public body corporate and politic, organized for control and prevention of flood, sediment, and soil erosion damage, and to further the conservation, development and beneficial use of water and soil resources. The governing body of the District consists of five elected supervisors, four of whom must be landowners in the district. Two additional supervisors may be appointed to the District board. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's most significant accounting policies are described below.

A. Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is accountable and (c) other organizations 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, or the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB-14. The first criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government can exercise oversight responsibilities. Based upon the application of

**STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

these criteria, the District has no component units and is not a component unit of another governmental agency.

B. Basis of Accounting/Measurement Focus

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, the District does not have any fiduciary or business-type activities.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the District 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*

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

changes in net position presented in the Government-Wide financial statements.

The District reports the general fund as a major governmental 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 property 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 District does not report any other major funds.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

C. Assets, Liabilities and Equity

Cash Equivalents

The District has defined cash and cash equivalents to include demand deposits and short-term investments (certificates of deposit) with original maturities of six months or less from the date of acquisition. New Mexico State Statute authorizes the District to invest in obligations of the U.S. Treasury, repurchase agreements, and certificates of deposit. Investments for the government, if applicable, are reported at carrying amount, which reasonable estimates fair value.

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Receivables and Payables

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Property taxes attach as an unsubordinated enforceable lien on property as of January 1 of the assessment year. Current year taxes are levied within five days of the rate setting order received from New Mexico Department of Finance and Administration (7-38-32 thru 7-38-36). Tax bills are mailed by November 1, unless the Rio Arriba County Assessor obtains a formal extension of time from the New Mexico Property Tax Division. Taxpayers have the option to pay in two equal installments due by the close of business November 10th and April 10th. Penalty and interest will be accrued after the delinquency due dates of December 10th and May 10th. In the event of a formal extension, the respective dates are correspondingly extended.

The accounts payable as of the balance sheet date include routine monthly bills for services rendered and products purchased which are paid in the following months.

Inventories and Prepaid Items

Inventories in governmental funds consist of expendable supplies held for consumption and are valued at cost using a first-in, first-out (FIFO) method. Expendable supplies are accounted for using the consumption method. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as expenditures when consumed rather than when purchased. The District current does not hold any items in inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns 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 and an estimated useful life in excess of 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 included as part of the governmental capital assets reported in the government wide statements. Information technology equipment including software is being capitalized and included in machinery and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets that have been disposed of are recorded as deletions on the government-wide financial statements. Accumulated depreciation is adjusted for all deletions.

**STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the District during the current fiscal year was \$0. 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:

| <u>Asset Type</u> | <u>Years</u> |
|-------------------|--------------|
| Land | Perpetuity |
| Buildings | 30 - 40 |
| Vehicles | 5 - 15 |
| Farm Equipment | 5 - 15 |

Analysis of Impairment

Management reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there is no impairment of such District assets at June 30, 2018.

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. The District has five types of items that qualify for reporting in this category. Accordingly, the items, employer contributions subsequent to measurement date, net difference between expected and actual earnings on pension plan investments, net difference between expected and actual experience, change in assumptions and change in proportion, are reported on the Statement of Net Position. These amounts are deferred and recognized as an outflow of resources in the period the amounts become available. The District has recorded \$4,403 related to contributions subsequent to the measurement date, \$7,779 related to the net difference between expected and actual earnings on pension plan investments, \$3,725 related to net difference between expected and actual experience, \$4,372 related to changes in assumptions and \$3,619 related to changes in proportion.

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

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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.

The District has five types of items which qualify for reporting in this category. The items, unavailable revenue – property tax and unavailable revenue - grants, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has recorded \$117,122 related to property taxes and \$-0- related to grants that are considered “unavailable”.

The items, net difference between expected and actual experience, change in assumptions and change in proportion are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has recorded \$4,856 related to the net difference between expected and actual experience, \$980 related to changes in assumptions, and \$2,843 related to changes in proportion.

Compensated Absences

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

The District's policy states that employees accrue leave at 4 hours per pay period for full time permanent employees. Part time permanent employees accrue annual leave and sick leave on a prorated basis. Employees may not carryover more than 140 hours forward from one calendar year to the next. There is no limit to the amount of sick leave that may be accrued. Employees have the option to sell their annual leave upon separation from the District.

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 or business-type activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as debt issuance costs, during the current period. The face amount of 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 expenditures.

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Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent.

Governmental Fund Financial Statements. In accordance with GASBS No. 54, the District classifies fund balances in the governmental funds as follows:

Nonspendable Fund Balance includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal/contractual requirements. Examples are Prepaid Expenses and Inventory.

Spendable Fund Balance includes Restricted, Committed, Assigned, and Unassigned designations:

Restricted includes fund balance amounts that are limited for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The district reports certain amounts that are restricted for debt service reserves.

Committed includes fund balance amounts that are obligated to a specific purpose which are internally imposed by the government through formal action (Ordinances and Resolutions) at the highest level of decision making authority (Board of Supervisors). These commitments can only be overturned by a like action.

Assigned includes spendable fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Undesignated excess Fund Balances may be assigned by the Board of Supervisors for specific purposes through the budget process or agenda items. The assigned designation may be reversed by the Board of Supervisors at any public meeting.

Unassigned includes residual positive fund balances within the General Fund, which have not been classified within the other above-mentioned categories. Unassigned Fund Balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in the General Fund, it is the District's policy to use unassigned resources first, then assigned, and then committed as needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any other governmental fund, it is the District's policy to use committed resources first, then assigned, and then unassigned as needed.

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The District does not have a formal minimum fund balance requirement.

Net Position

Government-wide Financial Statements. The District classifies net position in the government-wide financial statements as follows:

Net Investment in Capital Assets includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The Board of Supervisors has the authority to revisit or alter this designation.

D. 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.

E. Income Taxes

As a local government entity, the District is not subject to federal or state income taxes. For the year ended June 30, 2018, no interest or penalties were recorded or included in the financial statements.

F. 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.

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NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The District adopts budgets for each individual fund. The District uses the following procedures to establish the budgeted amounts reflected in the budgetary comparisons:

1. Prior to June 1, the District Board of Supervisors reviews, adjusts and approves a preliminary revenue and expenditure budget for the fiscal year beginning July 1.
2. Prior to June 1, the approved preliminary budget is submitted to the State of New Mexico, Department of Finance and Administration, Local Government Division (DFA-LGD) for approval by the first Monday of September.
3. Once the Board receives notice of the approved preliminary budget, the Board reviews the preliminary budget and makes any necessary adjustments to prepare the final budget. Prior to July 30, the Board approves the budget by passing a resolution.
4. Prior to July 30, the approved budget is submitted to the State of New Mexico, Department of Finance and Administration, Local Government Division (DFA-LGD) for approval by the first Monday of September. The Board receives notice of the approved budget.

During the course of the fiscal year, the District prepares monthly budget reports. Under New Mexico State law, each year's budget appropriation legally lapses at year-end.

Budgetary Compliance – Budgetary control is required to be maintained at the individual fund level.

Actual fund revenues may be either over or under the budgeted amounts; however, the variance is required to be reasonable, particularly in the case of over-budgeted revenues. Major over-budgeted revenues require a budget amendment as soon as the extent of the shortage is reasonably ascertainable.

Budget Amendments – Budget increases and decreases can only be accomplished by Board of Supervisor resolution, followed by DFA approval. Similarly, budget transfers must follow the same procedure.

Budgetary Basis – State law prescribes that the District's budget be prepared on the basis of cash receipts and cash expenditures. Therefore, budgetary comparisons shown in exhibits are prepared on a cash basis to compare actual revenues and expenditures with a cash basis budget as amended.

The accompanying Statements of Revenue, 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 principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of

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financial resources for the year ended June 30, 2018 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual budgetary statement.

NOTE 3 – CASH AND CASH EQUIVALENTS

The District's cash balances consist of demand deposits, interest bearing savings accounts. The District does not have a deposit policy.

The District reports the following cash and cash equivalents balances as of June 30, 2018:

Washington Federal

| <u>Account Name</u> | <u>Account Type</u> | <u>Bank Balance</u> | <u>Outstanding items</u> | <u>Reconciled balance</u> |
|-------------------------------|----------------------------|---------------------|--------------------------|---------------------------|
| East Rio Arriba SWCD- Savings | Interest-Checking | \$ 229,000 | - | <u>229,000</u> |
| | Less: FDIC coverage | <u>(229,000)</u> | | |
| | Uninsured Amount | - | | |
| | 50% collateral requirement | - | | |
| | Pledged securities | <u>-</u> | | |
| | Over (Under) Secured | <u>\$ -</u> | | |

Century Bank

| <u>Account Name</u> | <u>Account Type</u> | <u>Bank Balance</u> | <u>Outstanding items</u> | <u>Reconciled balance</u> |
|--------------------------------|----------------------------|---------------------|--------------------------|---------------------------|
| East Rio Arriba SWCD- Checking | Interest-Checking | \$ 120,505 | (17,731) | 102,774 |
| East Rio Arriba SWCD- Savings | Interest-Checking | \$ 47,057 | - | <u>47,057</u> |
| | Less: FDIC coverage | <u>(167,562)</u> | | |
| | Uninsured Amount | - | | |
| | 50% collateral requirement | - | | |
| | Pledged securities | <u>-</u> | | |
| | Over (Under) Secured | <u>\$ -</u> | | |

The cash held by NMFA is restricted for debt service.

| <u>Account Name</u> | <u>Account Type</u> | <u>Bank Balance</u> | <u>Outstanding items</u> | <u>Reconciled balance</u> |
|-------------------------|----------------------|---------------------|--------------------------|---------------------------|
| PP-2838 - Debt Service | Savings | \$ 2,299 | 872 | 3,171 |
| PP-2838 - Reserve Funds | Savings | 10,524 | - | 10,524 |
| PP-3057 - Debt Service | Savings | 17,060 | 6,443 | 23,503 |
| PP-3057 - Reserve Funds | Savings | <u>\$ 87,676</u> | - | <u>87,676</u> |
| | | 117,559 | <u>7,315</u> | <u>124,874</u> |
| | Less: FDIC coverage | <u>(117,559)</u> | | |
| | Uninsured Amount | <u>-</u> | | |
| | Over (Under) Secured | <u>\$ -</u> | | |

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Custodial Credit Risk Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District funds may not be returned. The District does not have a deposit policy for custodial risk.

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit be collateralized by the depository thrift or banking institution. At present, state statutes require that a minimum of fifty percent of uninsured balances on deposit with anyone institution must be collateralized, with higher requirements up to 102% for financially troubled institutions.

Based on the above, the District is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to 50% of the public money in each account. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of New Mexico.

As of June 30, 2018, the District's bank balances of \$514,121 were exposed to custodial credit risk as follows:

| | |
|--|-------------------|
| Insured through federal depository insurance | \$ 514,121 |
| Uninsured, collateralized with securities held by pledging financial institution's trust department or agent in the District's name. | - |
| Uninsured and uncollateralized | - |
| Total uninsured deposits | <u>\$ 514,121</u> |

NOTE 4 – RECEIVABLES

Receivables as of June 30, 2018 are as follows:

| | |
|------------------------------------|-------------------------|
| | <u>General Fund</u> |
| Taxes: | |
| Property | \$ 131,972 |
| Other intergovernmental | <u>23,515</u> |
| Subtotal | 155,487 |
| Less: Allowance for uncollectibles | <u>-</u> |
| Net Receivables | <u>\$ 155,487</u> |

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NOTE 5 – CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows. Land and construction in progress are not subject to depreciation.

| GOVERNMENTAL ACTIVITIES | Balance 06/30/17 | Additions | Deletions | Balance 06/30/18 |
|---|-----------------------------|------------------|------------------|-----------------------------|
| Non-depreciable capital assets: | | | | |
| Land | \$ 101,289 | - | - | 101,289 |
| Construction in progress | 63,362 | - | (63,362) | - |
| Total non-depreciable capital assets | <u>164,651</u> | <u>-</u> | <u>(63,362)</u> | <u>101,289</u> |
| Capital assets being depreciated: | | | | |
| Buildings | \$ 1,305,911 | 89,997 | - | 1,395,908 |
| Building Improvements | 1,054 | - | (1,054) | - |
| Vehicles | 27,375 | - | - | 27,375 |
| Farm Equipment | 94,569 | 25,000 | (30,504) | 89,065 |
| Office Equipment | 1,650 | - | (1,650) | - |
| Total capital assets being depreciated | <u>1,430,559</u> | <u>114,997</u> | <u>(33,208)</u> | <u>1,512,348</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (50,226) | (19,741) | - | (69,967) |
| Building Improvements | (1,054) | - | 1,054 | - |
| Vehicles | (27,375) | - | - | (27,375) |
| Farm Equipment | (41,636) | (6,425) | 8,089 | (39,972) |
| Office Equipment | (1,650) | - | 1,650 | - |
| Total accumulated depreciation | <u>(121,941)</u> | <u>(26,166)</u> | <u>10,793</u> | <u>(137,314)</u> |
| Total capital assets being depreciated | <u>1,308,618</u> | <u>88,831</u> | <u>(22,415)</u> | <u>1,375,034</u> |
| Total capital assets, net of depreciation | <u>\$ 1,473,269</u> | <u>88,831</u> | <u>(85,777)</u> | <u>1,476,323</u> |

Depreciation expense for the year ended June 30, 2018 totaled \$26,166 and was charged to the general fund's conservation function.

During the year ended June 30, 2018, assets with an original acquisition cost of under \$5,000 (the current capitalization threshold) were removed from the District's reported capital assets. The removed assets had cumulative acquisition costs totaling \$8,303 and net a book value of \$0. These are reflected in the Deletions column above.

NOTE 6 – LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2018, was as follows:

| | Balance 6/30/2017 | Increases | Decreases | Balance 6/30/2016 | Amount due within one year |
|-------------------------------|------------------------------|------------------|------------------|------------------------------|---------------------------------------|
| Governmental funds debt | | | | | |
| Compensated absences | \$ 1,293 | 2,143 | (3,045) | 391 | 391 |
| Notes payable | 1,192,420 | - | (37,389) | 1,155,031 | 38,273 |
| Total governmental activities | <u>\$ 1,193,713</u> | <u>2,143</u> | <u>(40,434)</u> | <u>1,155,422</u> | <u>38,664</u> |

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Long-term liabilities are liquidated from the general fund. No short-term debt was incurred during fiscal year 2018.

The District has the following notes payable outstanding as of June 30, 2018:

| <u>Loan Identifier</u> | <u>Purpose</u> | <u>Original</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Balance</u> |
|------------------------|----------------------|------------------|----------------------|----------------------|------------------|
| NMFA - PP-2838 | Purchase land | \$ 171,751 | 3.188% | 5/1/2037 | \$ 145,376 |
| NMFA - PP-3057 | Construct a building | \$ 1,135,703 | 4.416% | 5/1/2038 | \$ 1,009,655 |
| | | <u>1,307,454</u> | | | <u>1,155,031</u> |

The payments of principal and interest are paid from pledged governmental mil levy. The revenues pledged totaled \$1,754,502 at June 30, 2018, and equal 25.2% of future revenues at their current rate. During the year ended June 30, 2018, the District collected \$347,665 in pledged revenues, and retired \$77,321 in principal and interest on the aforementioned notes.

The aggregated future payments required on the NMFA notes payable are as follows.

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|---------------------|-----------------|------------------|
| 2019 | \$ 38,273 | 49,512 | 87,785 |
| 2020 | 39,329 | 48,457 | 87,786 |
| 2021 | 40,546 | 47,239 | 87,785 |
| 2022 | 41,963 | 45,823 | 87,786 |
| 2023 | 43,551 | 44,234 | 87,785 |
| 2024-2028 | 247,057 | 191,870 | 438,927 |
| 2029-2033 | 311,020 | 127,905 | 438,925 |
| 2034-2038 | <u>393,292</u> | <u>44,431</u> | <u>437,723</u> |
| Total | \$ <u>1,155,031</u> | <u>599,471</u> | <u>1,754,502</u> |

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss due to torts, theft or damage of assets, errors and omissions and natural disasters. The District’s supervisors and employees are covered by an errors and omissions liability policy purchased by the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,050,000 for each wrongful act and \$1,050,000 for the policy aggregated.

The District has purchased commercial packaged insurance for general insurance coverage and all risk of loss is transferred. The premiums paid for the year ended June 30, 2018 were \$8,659. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

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.

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NOTE 8 – PERA PENSION PLAN

General Information about the Pension Plan

Plan description. The *Public Employees Retirement 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 Officers, 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 Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

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

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

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

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percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions. See PERA’s compressive annual financial report for Contribution provided description.

| PERA Contribution Rates and Pension Factors as of July 1, 2017 | | | | | | |
|---|---|--|---|---|---------------|--|
| Coverage Plan | Employee Contribution Percentage | | Employer Contribution Percentage | Pension Factor per year of Service | | Pension Maximum as a Percentage of the Final Average Salary |
| | Annual Salary less than \$20,000 | Annual Salary greater than \$20,000 | | TIER 1 | TIER 2 | |
| STATE PLAN | | | | | | |
| State Plan 3 | 7.42% | 8.92% | 16.99% | 3.0% | 2.5% | 90% |
| MUNICIPAL PLANS 1 - 4 | | | | | | |
| Municipal Plan 1 (plan open to new employers) | 7.0% | 8.5% | 7.4% | 2.0% | 2.0% | 90% |
| Municipal Plan 2 (plan open to new employers) | 9.15% | 10.65% | 9.55% | 2.5% | 2.0% | 90% |
| Municipal Plan 3 (plan closed to new employers 6/95) | 13.15% | 14.65% | 9.55% | 3.0% | 2.5% | 90% |
| Municipal Plan 4 (plan closed to new employers 6/00) | 15.65% | 17.15% | 12.05% | 3.0% | 2.5% | 90% |
| MUNICIPAL POLICE PLANS 1 - 5 | | | | | | |
| Municipal Police Plan 1 | 7.0% | 8.5% | 10.40% | 2.0% | 2.0% | 90% |
| Municipal Police Plan 2 | 7.0% | 8.5% | 15.40% | 2.5% | 2.0% | 90% |
| Municipal Police Plan 3 | 7.0% | 8.5% | 18.90% | 2.5% | 2.0% | 90% |
| Municipal Police Plan 4 | 12.35% | 13.85% | 18.90% | 3.0% | 2.5% | 90% |
| Municipal Police Plan 5 | 16.3% | 17.8% | 18.90% | 3.5% | 3.0% | 90% |
| MUNICIPAL FIRE PLANS 1 - 5 | | | | | | |
| Municipal Fire Plan 1 | 8.0% | 9.5% | 11.40% | 2.0% | 2.0% | 90% |
| Municipal Fire Plan 2 | 8.0% | 9.5% | 17.9% | 2.5% | 2.0% | 90% |
| Municipal Fire Plan 3 | 8.0% | 9.5% | 21.65% | 2.5% | 2.0% | 90% |
| Municipal Fire Plan 4 | 12.8% | 14.3% | 21.65% | 3.0% | 2.5% | 90% |
| Municipal Fire Plan 5 | 16.2% | 17.7% | 21.65% | 3.5% | 3.0% | 90% |
| MUNICIPAL DETENTION OFFICER PLAN 1 | | | | | | |
| Municipal Detention Officer Plan 1 | 16.65% | 18.15% | 17.05% | 3.0% | 3.0% | 90% |
| STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC. | | | | | | |
| State Police and Adult Correctional Officer Plan 1 | 7.6% | 9.1% | 25.50% | 3.0% | 3.0% | 90% |
| State Plan 3 - Peace Officer | 7.42% | 8.92% | 16.99% | 3.0% | 3.0% | 90% |
| Juvenile Correctional Officer Plan 2 | 4.78% | 6.28% | 26.12% | 3.0% | 3.0% | 90% |

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2018, the District reported a liability of \$94,812 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was 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 of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the District's proportion was 0.0069%, which was an increase of 0.0003% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$10,557. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 3,725 | 4,856 |
| Changes of assumptions | 4,372 | 980 |
| Net difference between projected and actual earnings on pension plan investments | 7,779 | 0 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 3,619 | 2,843 |
| District contributions subsequent to the measurement date | <u>4,403</u> | <u>-</u> |
| | <u>\$ 23,898</u> | <u>8,679</u> |

\$4,403 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 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:

| Year ended June 30: | |
|---------------------|----------|
| 2017 | \$ 1,787 |
| 2018 | 9,209 |
| 2019 | 2,094 |
| 2020 | (2,274) |
| 2021 | - |
| Thereafter | \$ - |

**STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|---|
| Actuarial valuation date | June 30, 2016 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of pay |
| 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% rate all other years |
| Mortality Assumption | RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disable table for disabled retirees before retirement age) with projection to 2018 using Scale AA. |
| Experience Study Dates | July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2016 (economic) |

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building block method 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>ALL FUNDS - Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|--------------------------------|--------------------------|---|
| Global Equity | 43.50% | 7.39% |
| Risk Reduction & Mitigation | 21.50% | 1.79% |
| Credit Oriented Fixed Income | 15.00% | 5.77% |
| Real Assets | <u>20.00%</u> | 7.35% |
| | <u>100.00%</u> | |

Discount rate: A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, compounded annually, net of expense. Based on the stated assumptions and the

**STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.51 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

| | 1% Decrease (6.51%) | Current Discount Rate (7.51%) | 1% Increase (8.51%) |
|---|---------------------------|--|---------------------------|
| District's proportionate share of the net pension liability | \$ 148,601 | 94,812 | 50,078 |

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in separately issued PERA’S financial reports.

NOTE 9 – POST EMPLOYMENT BENEFITS

The Retiree Health Care Act, Chapter IV, Article 7C NMSA 1978 provides a comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The District has elected not to participate in the post-employment health insurance plan.

NOTE 10 – FUND DEFICITS AND NON-COMPLIANCE

Deficit Fund Balances

The District did not have any funds with negative fund balances as of June 30, 2018.

Legal Compliance with Budget

The District was in of compliance with Section 6-6-6 of the New Mexico State Statues regarding legal compliance with approved budgets for the year ended June 30, 2018.

**STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 11 – CONTINGENCIES

The District participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2018, significant amounts of grant expenditures have not been audited by the grantor agencies.

Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds of the overall financial position of the District.

NOTE 12 –RESTATEMENTS OF BEGINNING FUND BALANCES/NET POSITION

During the year ended June 30, 2018, prior period adjustments to the general fund beginning fund balance totaling \$28,298 were necessary to correct errors in beginning balances identified during the year.

Prior period adjustments totaling \$144,834 were made to the government-wide net position due to prior year revenues and deferred inflows of resources being understated. The following table outlines the cumulative effect of the adjustments to net position/fund balances:

| <u>Fund</u> | <u>Purpose/Reason</u> | <u>Amount</u> |
|---|--|-------------------|
| Governmental funds | | |
| Major funds | | |
| General Fund | Prior year taxes receivable were understated | \$ 114,721 |
| | Prior year deferred inflows were understated | (110,762) |
| | Prior year cash was understated | <u>24,339</u> |
| Total general fund and governmental funds | | <u>\$ 28,298</u> |
| Government-wide statements | Restatements from above | \$ 28,298 |
| | Prior year deferred inflows were understated | 5,774 |
| | Prior year revenues were understated | <u>110,762</u> |
| Total governmental activities | | <u>\$ 144,834</u> |

NOTE 13 – EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 30, 2018, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL GENERAL
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|-------------|
| District's proportion of the net pension liability (asset) | 0.0235% | 0.0066% | 0.0073% | 0.0073% |
| District's proportionate share of the net pension liability (asset) | \$ 94,812 | 105,446 | 65,254 | 56,948 |
| District's covered-employee payroll | \$ 144,214 | 167,698 | 145,169 | 138,389 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 65.74% | 62.88% | 44.95% | 41.15% |
| Plan fiduciary net position as a percentage of the total pension liability | 73.74% | 69.18% | 76.99% | 81.29% |

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

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
PERA Municipal General Division
Last 10 Fiscal Years*

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 4,403 | 5,774 | 5,361 | 4,757 |
| Contributions in relation to the contractually required contribution | <u>4,403</u> | <u>5,774</u> | <u>5,361</u> | <u>4,757</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| District's covered-employee payroll | \$ 144,214 | 167,698 | 145,169 | 138,389 |
| Contributions as a percentage of covered-employee payroll | 3.05% | 3.44% | 3.69% | 3.44% |

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

**STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

Changes of benefit terms. The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

Assumptions. The Public Employees Retirement Association of New Mexico Annual Actuarial Valuations as of June 2017 report is available at <http://www.nmpera.org/>

STATE OF NEW MEXICO

EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED UPON PROCEDURES REPORT**

FOR THE YEAR-ENDED JUNE 30, 2018



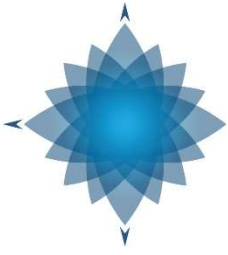
**STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2018**

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**STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2018**

| <u>Board of Supervisors</u> | <u>Title</u> |
|------------------------------------|---------------------|
| Kenneth V. Salazar | Chairperson |
| Ross Garcia Jr. | Vice-Chairperson |
| Ted Salazar | Secretary/Treasurer |
| Leroy J. Salazar | Member |
| J. Lucas Cordova | Member |

| <u>District Personnel</u> | |
|----------------------------------|--------------------------|
| Marcos Valdez | District Manager |
| Clara Dubois | Administrative Assistant |



**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED UPON PROCEDURES**

Wayne Johnson
New Mexico State Auditor
and
Kenneth V. Salazar, Chairperson
East Rio Arriba Soil and Water Conservation District
Hernandez, New Mexico

We have performed the procedures enumerated below, which were agreed to by East Rio Arriba Soil and Water Conservation District (District) and the New Mexico State Auditor (the specified parties), solely to assist you in evaluating the District's financial reporting relating to its Cash, Capital Assets, Debt, Revenue, Expenditures, Journal Entries, Budget and Capital Outlay Appropriations information for compliance with Section 12-6-3B(6) NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended June 30, 2018. The District is responsible for its financial reporting to and compliance with the New Mexico State Auditor rules as described above. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purposes for which this report has been requested or for any other purpose.

In accordance with Tier 6 of the Audit Act – Section 12-6-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC, the procedures and the associated findings are as follows:

1. Verify Tier

Procedures

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

Results of Procedures Performed

- a. Based on a review of the District's general ledger, total revenues for the fiscal year ending June 30, 2018 were \$442,508 (excluding the federal grants). Based on this information, the District was properly determined to be a Tier 6 entity for FY18 since their total revenues were between \$250,000 and \$500,000 during the fiscal year.

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. Test at least 30% of the bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Government 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.

Results of Procedures Performed

- a. The bank reconciliations were performed on a monthly basis in a timely manner. All bank statements for the fiscal year were complete and on hand. For the period July 1, 2017 through June 30, 2018, the District had three checking accounts.
- b. The randomly selected bank reconciliations were accurate, and the ending balances on the bank reconciliations agreed with the District's general ledger, supporting documentation and the financial reports submitted to DFA-LGD.
- c. None of the District's cash accounts exceeded FDIC coverage during the year and all accounts held by various banks were determined to have adequate additional collateralization as required by Section 6-10-17 NMSA 1978, NM Public Money Act.

The District's remaining bank account did not exceed FDIC insurance limits.

3. Capital Assets

Procedures

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

Results of Procedures Performed

- a. The District performed a capital asset inventory for the fiscal year ending June 30, 2018.

4. Debt

Procedures

- a. 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 Procedures Performed

- a. The required debt payments were made during the year on existing loans. The loan agreement reserves are on deposit with the New Mexico Finance Authority.

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 equal to at least 30% of the total dollar amount and test 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 Procedures Performed

- a. An analytical review of prior-year to current-year revenue revealed no unexplained or unusual variations. The test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions.
- b. We requested supporting documentation for twenty (20) deposits (86% of total revenue) from a total of 53 deposits for the year. For the sample selected, the amount recorded in the general ledger agreed with the supporting documentation and the bank statement.
- c. Per review of supporting documentation for the transactions tested, amounts were properly recorded on a cash basis as to classification, amount and period.

6. Expenditures

Procedures

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test 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, contract 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 Procedures Performed

- a) We requested supporting documentation for seventy-five (75) disbursements (30% of total expenses) out of a total of 244 disbursements for the year. The amounts recorded as disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled check. The District does not use purchase order forms.
- b) For the sample selected, disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

7. Journal Entries

Procedures

Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger 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 Procedures Performed

According to the District Manager, no non-routine journal entries were posted to the general ledger during the fiscal year. Review of the general ledger during the course of the engagement, did not identify any journal entries recorded by the District.

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, that the original budget 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 budget 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.

Results of Procedures Performed

- a) The District's Board of Supervisors adopted its FY18 budget on July 13, 2017 (FY 2018 Budget and Resolution) which was approved by DFA-LGD on August 10, 2017. The District did not have any budget adjustments in FY18.
- b) Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.
- c) A schedule of revenues and expenditures – budget and actual (Exhibit A) was prepared on the cash budgetary basis used by the District.

9. Capital Outlay Appropriations

Procedures

The scope of the agreed-upon procedures engagement shall encompass any and all state-funded capital outlay appropriations of the New Mexico Legislature that meet Tier 6 criteria. 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 if 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.
- 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 Procedures Performed

Based on discussion with the District Manager and review of the accounting records, the District did not receive or expend any amounts related to capital outlay appropriations in the year ended June 30, 2018. As a result, no other procedures were performed.

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 Procedures Performed

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts, noncompliance or any internal control deficiencies.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the District's financial reporting as of and for the year ended June 30, 2018, to the New Mexico State Auditor as described above. Accordingly, we do not express such an opinion or conclusion. 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 East Rio Arriba Soil and Water Conservation District, the New Mexico State Auditor's Office, and the Department of Finance and 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.

Integrity Accounting + Consulting, LLC

Integrity Accounting & Consulting, LLC
Albuquerque, NM

November 30, 2018

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2018

| | Budgeted Amounts | | Actual | Favorable (Unfavorable) |
|--|------------------|----------|------------|----------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | | | | |
| Property | \$ 346,608 | 346,608 | 345,441 | (1,167) |
| Charges for services | 68,710 | 68,710 | 73,313 | 4,603 |
| Intergovernmental revenue | | | | |
| State grants | 71,599 | 71,599 | 70,923 | (676) |
| Interest income | 184 | 184 | 114 | (70) |
| Total revenues | 487,101 | 487,101 | 489,791 | 2,690 |
| Expenditures: | | | | |
| Current: | | | | |
| Conservation | | | | |
| Personnel costs | 168,571 | 168,571 | 174,384 | (5,813) |
| Operating costs | 206,092 | 206,092 | 192,218 | 13,874 |
| Capital outlay | 58,717 | 58,717 | 36,702 | 22,015 |
| Debt service | | | | |
| Principal | 36,288 | 36,288 | 37,543 | (1,255) |
| Interest | 51,497 | 51,497 | 50,243 | 1,254 |
| Total expenditures | 521,165 | 521,165 | 491,090 | 30,075 |
| Excess (deficiency) of revenues over (under) expenditures | (34,064) | (34,064) | (1,299) | (27,385) |
| Other financing sources (uses): | | | | |
| Total other financing sources (uses): | - | - | - | - |
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | (34,064) | (34,064) | (1,299) | (27,385) |
| Budgeted cash carryover | 34,064 | 34,064 | | |
| Net change in fund balance | \$ - | - | | |
| Reconciliation From Budget/Actual to GAAP | | | | |
| Net change in fund balance (Non-GAAP budgetary basis) | | | \$ (1,299) | |
| Adjustments to revenue for tax accruals and other miscellaneous revenue accruals | | | 11,753 | |
| Adjustments to expenditures for accrued wages and expenditures | | | 2,436 | |
| Net change in fund balance (GAAP) | | | \$ 12,890 | |

The accompanying notes are an integral part of these financial statements.

DEPARTMENT OF FINANCE AND ADMINISTRATION (DFA)
 LOCAL GOVERNMENT DIVISION (LGD)
 BUDGET AND FINANCE BUREAU
 SOIL AND WATER CONSERVATION DISTRICT
 QUARTERLY YEAR TO DATE FINANCIAL REPORT

PLEASE SUBMIT TO LOCAL GOVERNMENT DIVISION NOT LATER
 THAN ONE MONTH AFTER THE CLOSE OF EACH QUARTER.
 I HEREBY CERTIFY THAT THE CONTENTS IN THIS
 REPORT ARE TRUE AND CORRECT TO THE BEST OF
 MY KNOWLEDGE.

Soil and Water Conservation District: East Rio Arriba

Period Ending: 06/30/18

x Clara DuBois

YEAR TO DATE TRANSACTIONS PER BOOKS QUARTERLY REPORT

| Fund # | FUND (1) | CASH BALANCE PER BOOKS July 1, 2016 (2) | REVENUES TO DATE (3) | NET TRANSFERS (4) | EXPENDITURES TO DATE (5) | BOOK BALANCE END OF PERIOD (6) | ADD: OUTSTANDING CHECKS (7) | LESS: DEPOSITS IN TRANSIT (8) | ADJUSTMENTS (9) | ADJUSTED BALANCE END OF PERIOD (10) | BALANCE PER BANK STATEMENTS (11) | DIFFERENCE (12) |
|--------|--------------------------|---|----------------------|-------------------|--------------------------|--------------------------------|-----------------------------|-------------------------------|-----------------|-------------------------------------|----------------------------------|-----------------|
| 101 | GENERAL FUND | \$ 379,823.67 | 489,790 | - | 490,783 | 378,831 | 17,731 | - | | 396,562 | 396,561 | 1 |
| 218 | INTERGOVERNMENTAL GRANTS | | - | - | - | - | | | | - | | - |
| 299 | OTHER | | - | - | - | - | | | | - | | - |
| 400 | DEBT SERVICE | | - | - | - | - | | | | - | | - |
| | GRAND TOTAL | \$ 379,824 | \$ 489,790 | \$ - | \$ 490,783 | \$ 378,831 | \$ 17,731 | \$ - | \$ - | \$ 396,562 | \$ 396,561 | \$ 1 |

NOTE: DETAIL PAGES will complete the Recap except for Cash Per Books on July 1.

*USER NOTES: (Please describe what any reserve requirements are used for).

SWCD:
East Rio Arriba

Period Ending: 6/30/2018

| EXPENDITURES | CURRENT QUARTER | YEAR TO DATE | APPROVED BUDGET | % OF BUDGET |
|--|-------------------|-------------------|-------------------|-------------------|
| GENERAL FUND 101 | | | | |
| Acequia Projects | 20,883 | 54,550 | 80,000.00 | 0.681877 |
| Noxious Weed Management Project | 5,396 | 30,702 | 58,716.74 | 0.52287831 |
| Farm Equipment Rental Program | 7,813 | 34,263 | 5,974.88 | 5.73452689 |
| Miscellaneous Projects (Conservation Project Expenses) | 1,779 | 6,924 | 16,216.95 | 0.42695636 |
| Building Construction Costs (Contractual Services Expense) | 0 | 26,635 | 30,000.00 | 0.88783333 |
| Building Expenses | 29,709 | 126,499 | 122,646.15 | 1.0314164 |
| Dues | 0 | 2,250 | 2,125.00 | 1.05882353 |
| Election | 0 | 0 | 0.00 | |
| Financial Audit | 0 | 6,710 | 7,726.00 | 0.86849599 |
| Information Education/Conservation | 3,025 | 4,729 | 1,582.00 | 2.98943742 |
| Insurance (Bond & Liability) | 0 | 645 | 2,145.00 | 0.3006993 |
| Office Expense | 2,779 | 9,120 | 15,048.05 | 0.6060679 |
| Payroll Expenses (Personnel Services. . .) | 53,142 | 174,078 | 168,571.43 | 1.03266894 |
| Per Diem & Mileage | 1,354 | 9,468 | 5,795.69 | 1.63356391 |
| Training (Training & Workshops) | 120 | 3,415 | 3,597.90 | 0.94916479 |
| Vehicle Expense | 233 | 794 | 1,018.96 | 0.77956936 |
| Miscellaneous | 0 | 0 | 0.00 | |
| | 0 | 0 | 0 | |
| | 0 | 0 | 0 | |
| | 0 | 0 | 0 | |
| | 0 | 0 | 0 | |
| | 0 | 0 | 0 | |
| | 0 | 0 | 0 | |
| | 0 | 0 | 0 | |
| Total General Fund Expenditures | \$ 126,233 | \$ 490,783 | \$ 521,165 | 0.94170423 |
| Intergovernmental Grants Expenditures 218 | | | | |
| State or University Grants | 0 | 0 | 0 | |
| Federal Grants | 0 | 0 | 0 | |
| State Grants | 0 | 0 | 0 | |
| Local Grants | 0 | 0 | 0 | |
| Private Grants | 0 | 0 | 0 | |
| Legislative Funding | 0 | 0 | 0 | |
| Other | 0 | 0 | 0 | |
| Total Grant Expenditures | \$ - | \$ - | \$ - | |
| Other Expenditures 299 | | | | |
| Loan Payments | 0 | 0 | 0 | |
| Capital Outlay Expenses/Capital Projects | 0 | 0 | 0 | |
| Conservation and Environmental Control Expenses | 0 | 0 | 0 | |
| Bonding | 0 | 0 | 0 | |
| All Other Insurance | 0 | 0 | 0 | |
| Loan Program Expenses including Loan Repayments | 0 | 0 | 0 | |
| Miscellaneous Expenses | 0 | 0 | 0 | |
| OTHER FUND 299 FROM DETAIL TAB | 0 | 0 | 0 | |
| Total Other Expenditures | \$ - | \$ - | \$ - | |
| Debt Service 400 | | | | |
| Bond Payments Principal | 0 | 0 | 0 | |
| Bond Payments- Interest | 0 | 0 | 0 | |
| Other Debt Service | 0 | 0 | 0 | |
| Total Debt Service Expenditures | 0 | 0 | 0 | |
| TOTAL EXPENDITURES Current Quarter | \$ 126,233 | \$ 490,783 | \$ 521,165 | 0.94170423 |

NOTE: If this report is for the first quarter YEAR TO DATE will be the same as the CURRENT QUARTER.

SWCD:
East Rio Arriba

Period Ending: 6/30/2018

| REVENUES | CURRENT QUARTER | YEAR TO DATE | APPROVED BUDGET | % OF BUDGET |
|---|-------------------|-------------------|-------------------|--------------------|
| General Fund 101 | | | | |
| Rental (Rent Revenue) | 16718 | 71443 | 65,670.00 | 1.087901629 |
| Farm Equipment Rentals | 580 | 1870 | 3,040.00 | 0.615131579 |
| CWMA Grants Income | 0 | 0 | 0.00 | |
| Noxious Weeds - CWMA | 10000 | 10000 | 10,000.00 | 1 |
| Bank Interest | 30 | 114 | 184.21 | 0.616144618 |
| County Mil Levy | 94457 | 345441 | 346,607.65 | 0.996634033 |
| TSP Grants (and Miscellaneous Grant) | 0 | 0 | 0.00 | |
| Grants | 8219 | 47282 | 47,900.00 | 0.987101461 |
| NMDA, NM State University (Miscellaneous) | 0 | 13641 | 13,698.96 | 0.995791651 |
| Riparian Restoration | 0 | 0 | 0.00 | |
| Capital Outlay Funded | 0 | 0 | 0.00 | |
| | 0 | 0 | 0.00 | |
| | 0 | 0 | 0 | |
| | 0 | 0 | 0 | |
| | 0 | 0 | 0 | |
| | 0 | 0 | 0 | |
| | 0 | 0 | 0 | |
| | 0 | 0 | 0 | |
| | 0 | 0 | 0 | |
| TOTAL GENERAL FUND REVENUES | \$ 130,003 | \$ 489,790 | \$ 487,101 | 1.005521711 |
| Intergovernmental Grants 218 | | | | |
| State or University Grants | 0 | 0 | 0 | |
| Federal Grants | 0 | 0 | 0 | |
| State Grants | 0 | 0 | 0 | |
| Local Grants | 0 | 0 | 0 | |
| Private Grants | 0 | 0 | 0 | |
| Legislative Funding | 0 | 0 | 0 | |
| Miscellaneous (e.g. NMDA) | 0 | 0 | 0 | |
| TOTAL GRANT REVENUES | \$ - | \$ - | \$ - | |
| Other 299 | | | | |
| Contract Services | 0 | 0 | 0 | |
| Educational Income | 0 | 0 | 0 | |
| Charges for Services | 0 | 0 | 0 | |
| Capital Outlay Funded | 0 | 0 | 0 | |
| Project Income-Conservation & Environmental | 0 | 0 | 0 | |
| Emergency Watershed Protection Program | 0 | 0 | 0 | |
| Project Income - Reloan Program | 0 | 0 | 0 | |
| Project Expenses Income | 0 | 0 | 0 | |
| Silent Auctions | 0 | 0 | 0 | |
| Miscellaneous | 0 | 0 | 0 | |
| OTHER FUND 299 FROM DETAIL TAB | 0 | 0 | 0 | |
| TOTAL OTHER 299 | \$ - | \$ - | \$ - | |
| Debt Service 400 | | | | |
| General Obligation Bonds | 0 | 0 | 0 | |
| General Obligation - (Property Tax) | 0 | 0 | 0 | |
| Investment Income | 0 | 0 | 0 | |
| Other - Misc | 0 | 0 | 0 | |
| Revenue Bonds | 0 | 0 | 0 | |
| Bond Proceeds | 0 | 0 | 0 | |
| Revenue Bonds - GRT | 0 | 0 | 0 | |
| Investment Income | 0 | 0 | 0 | |
| Revenue Bonds - Other | 0 | 0 | 0 | |
| Miscellaneous (NMFA, BOF, etc.) | 0 | 0 | 0 | |
| Investment Income | 0 | 0 | 0 | |
| Loan Revenue | 0 | 0 | 0 | |
| TOTAL DEBT SERVICE REVENUES | \$ - | \$ - | \$ - | |
| GRAND TOTALS REVENUES- CURRENT QTR | \$ 130,003 | \$ 489,790 | \$ 487,101 | 1.005521711 |

NOTE: If this report is for the first quarter YEAR TO DATE will be the same as the CURRENT QUARTER.

**STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II FINDINGS – FINANCIAL STATEMENTS

PRIOR YEAR FINDINGS

NONE

CURRENT YEAR FINDINGS

NONE

**STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2018**

B. EXIT CONFERENCE

The contents of the report for the East Rio Arriba Soil and Water Conservation District were discussed on November 30, 2018. The following individuals were in attendance.

East Rio Arriba Soil and Water Conservation District Officials

Kenneth V. Salazar, Chairperson

Marcos Valdez, District Manager

Integrity Accounting & Consulting Personnel

Erick Robinson, CPA, CFE Partner