

**STATE OF NEW MEXICO**

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2019**



**STATE OF NEW MEXICO  
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT  
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FOR THE YEAR ENDED JUNE 30, 2019**

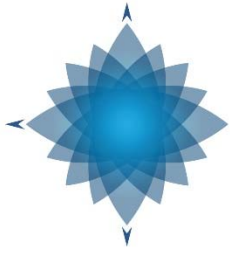
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**STATE OF NEW MEXICO  
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT  
OFFICIAL ROSTER  
FOR THE YEAR ENDED JUNE 30, 2019**

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

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



## Independent Auditor's Report

Brian S. Colón  
New Mexico State Auditor  
and  
Kenneth V. Salazar, Chairperson  
East Rio Arriba Soil and Water Conservation District  
Hernandez, New Mexico

### **Report of the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of East Rio Arriba Soil and Water Conservation District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We did not audit the 2018 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Public Employees Retirement Authority (PERA), the administrator of the cost sharing pension plan for the District. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Schedule of proportionate share of the net pension liability and the schedule of contributions and notes to the Required Supplementary Information on pages 31-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2019, on our consideration of the District's internal control over financial reporting and on our tests of

its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering District's internal control over financial reporting and compliance.

*Integrity Accounting + Consulting, LLC*

Integrity Accounting & Consulting, LLC  
Albuquerque, NM  
November 12, 2019

**STATE OF NEW MEXICO**  
**EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT**  
**STATEMENT OF NET POSITION**  
**As of June 30, 2019**

	<u>Governmental Activities</u>
Assets and deferred inflows of resources:	
Assets:	
Cash and cash equivalents	\$ 487,173
Investments	
Receivables	
Taxes receivable	131,972
Due from other governments	34,274
Total current assets	<u>653,419</u>
Non-current assets:	
Capital assets	1,654,691
Less: Accumulated depreciation	<u>(197,747)</u>
Total non-current assets	<u>1,456,944</u>
Total assets	<u>2,110,363</u>
Deferred Outflows of Resources:	
Employer contributions subsequent to the measurement date	5,158
Investment experience	6,504
Actuarial experience	2,534
Change of assumption	7,950
Change of proportion	2,220
Total deferred outflows of resources	<u>24,366</u>
Total assets and deferred outflows of resources	<u>\$ 2,134,729</u>
Liabilities, deferred inflows of resources and net position:	
Liabilities:	
Accounts payable	\$ 8,629
Accrued payroll liabilities	14,933
Current portion of compensated absences	2,609
Current portion of long-term debt	39,329
Total current liabilities	<u>65,500</u>
Non-current liabilities	
Notes payable	1,077,429
Net pension liability	87,691
Total non-current liabilities	<u>1,165,120</u>
Total liabilities	1,230,620
Deferred Inflows of Resources:	
Actuarial experience	2,302
Change of assumption	504
Change of proportion	13,444
Total deferred inflows of resources	<u>16,250</u>
Net position	
Net Investment in Capital Assets	340,186
Restricted for debt service	127,311
Unrestricted Net Position	420,362
Total net position	<u>887,859</u>
Total liabilities, deferred inflows of resources and net position:	<u>\$ 2,134,729</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, 2019**

<u>Functions/programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes In Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>
<b>Primary government:</b>					
Governmental activities					
Conservation	\$ 583,903	71,211	187,779	-	(324,913)
Interest expense	49,512	-	-	-	(49,512)
Total governmental activities	<u>\$ 633,415</u>	<u>71,211</u>	<u>187,779</u>	<u>-</u>	<u>(374,425)</u>
Total primary government					<u>(374,425)</u>
<b>General revenues:</b>					
Taxes					
Property taxes levied for general purposes					\$ 361,519
Interest income					<u>2,558</u>
Total general revenue and transfers					<u>364,077</u>
Changes in net assets					(10,348)
Beginning net position					<u>898,207</u>
Net position, end of year					<u>\$ 887,859</u>

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, 2019**

	<u>General Fund</u>
Assets and deferred inflows of resources:	
Assets:	
Cash and cash equivalents	\$ 487,173
Receivables	
Taxes receivable	131,972
Due from other governments	<u>34,274</u>
Total assets	<u>653,419</u>
Deferred Outflows of Resources:	
Total deferred outflows of resources	<u>-</u>
Total assests and deferred outflows of resources	\$ <u><u>653,419</u></u>
Liabilities, deferred inflows of resources and fund balances:	
Liabilities:	
Accounts payable	\$ 8,629
Accrued payroll liabilities	<u>14,933</u>
Total liabilities	<u>23,562</u>
Deferred Inflows of Resources:	
"Unavailable" revenues	<u>117,122</u>
Total deferred inflows of resources	<u>117,122</u>
Fund balances:	
Restricted - Debt service required reserves	127,311
Unassigned	<u>385,424</u>
Total fund balances	<u>512,735</u>
Total liabilities, deferred inflows of resources and fund balances:	\$ <u><u>653,419</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  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE  
TO THE STATEMENT OF NET POSITION  
As of June 30, 2019**

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

Total fund balance - Governmental funds	\$	512,735
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		1,456,944
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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
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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		5,158
Investment experience		6,504
Actuarial experience		2,534
Change of assumption		7,950
Change of proportion		2,220

Deferred inflows of resources related to:

Actuarial experience		(2,302)
Change of assumption		(504)
Change of proportion		(13,444)

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	\$	(2,609)	
Current notes payable		(39,329)	
Noncurrent notes payable		(1,077,429)	
Net pension liability	\$	<u>(87,691)</u>	
			<u>(1,207,058)</u>

Net position for governmental activities	\$	<u><u>887,859</u></u>
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**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, 2019**

	<b>General Fund</b>
Revenues:	
Taxes	
Property	\$ 361,519
Charges for services	71,211
Intergovernmental revenue	
State grants	187,779
Interest income	2,558
Total revenues	623,067
Expenditures:	
Current:	
Conservation	
Personnel costs	248,681
Operating costs	242,738
Capital outlay	70,905
Debt service	
Principal	38,273
Interest	49,512
Total expenditures	650,109
Excess (deficiency) of revenues over (under) expenditures	(27,042)
Other financing sources (uses):	-
Total other financing sources (uses):	-
Net change in fund balances	(27,042)
Beginning fund balance	539,777
Ending fund balance	\$ 512,735

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, 2019**

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

Total net change in fund balances-governmental funds	\$	(27,042)
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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.

Capital expenditures recorded as capital outlay or other expenses		41,054
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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.

		(60,433)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred inflows of resources related to property taxes receivable		-
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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.

(Increase)/decrease in compensated absences		(2,218)
Principal payments on long-term debt		38,273

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:

Employer contributions subsequent to the measurement date		5,158
Pension expense		(5,140)

Change in net position of governmental activities	\$	<u>(10,348)</u>
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**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, 2019**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes				
Property	\$ 346,608	346,608	361,519	14,911
Charges for services	67,578	67,578	71,211	3,633
Intergovernmental revenue				
State grants	330,552	330,552	177,020	(153,532)
Interest income	98	98	121	23
Total revenues	744,836	744,836	609,871	(134,965)
Expenditures:				
Current:				
Conservation				
Personnel costs	171,650	171,650	235,791	(64,141)
Operating costs	425,242	425,242	238,840	186,402
Capital outlay	189,274	189,274	68,467	120,807
Debt service				
Principal	-	-	38,389	(38,389)
Interest	-	-	49,396	(49,396)
Total expenditures	786,166	786,166	630,883	155,283
Excess (deficiency) of revenues over (under) expenditures	(41,330)	(41,330)	(21,012)	(290,248)
Other financing sources (uses):				
Total other financing sources (uses):	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(41,330)	(41,330)	(21,012)	(290,248)
Budgeted cash carryover	41,330	41,330		
Net change in fund balance	\$ -	-		

Reconciliation From Budget/Actual to GAAP

Net change in fund balance (Non-GAAP budgetary basis)	\$ (21,012)
Adjustments to revenue for tax accruals and other miscellaneous revenue accrual	13,195
Adjustments to expenditures for accrued wages and expenditures	(19,225)
Net change in fund balance (GAAP)	\$ (27,042)

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, 2019**

**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, on 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, 2019**

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, 2019**

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, 2019**

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 10<sup>th</sup> and April 10<sup>th</sup>. Penalty and interest will be accrued after the delinquency due dates of December 10<sup>th</sup> and May 10<sup>th</sup>. 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, 2019**

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:

Asset Type	Years
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, 2019.

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 \$5,158 related to contributions subsequent to the measurement date, \$6,504 related to the net difference between expected and actual earnings on pension plan investments, \$2,534 related to net difference between expected and actual experience, \$7,950 related to changes in assumptions and \$2,220 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 \$2,302 related to the net difference between expected and actual experience, \$504 related to changes in assumptions, and \$13,444 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, 2019, 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, 2019 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, 2019:

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	\$ 200,622	-	200,622
	Less: FDIC coverage	(200,622)		
	Uninsured Amount	-		
	50% collateral requirement	-		
	Pledged securities	-		
	Over (Under) Secured	\$ -		

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	\$ 117,682	(6,027)	111,655
East Rio Arriba SWCD- Savings	Interest-Checking	\$ 47,585	-	47,585
	Less: FDIC coverage	(165,267)		
	Uninsured Amount	-		
	50% collateral requirement	-		
	Pledged securities	-		
	Over (Under) Secured	\$ -		

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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	\$ 3,281	-	3,281
PP-2838 - Reserve Funds	Savings	10,694	-	10,694
PP-3057 - Debt Service	Savings	24,245	-	24,245
PP-3057 - Reserve Funds	Savings	\$ 89,092	-	89,092
		<u>127,312</u>	<u>-</u>	<u>127,312</u>
	Less: FDIC coverage	<u>(127,312)</u>		
	Uninsured Amount	-		
	Over (Under) Secured	<u>\$ -</u>		

*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, 2019, the District's bank balances of \$493,201 were exposed to custodial credit risk as follows:

Insured through federal depository insurance	\$ 493,201
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>\$ 493,201</u>



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**NOTE 4 – RECEIVABLES**

Receivables as of June 30, 2019 are as follows:

	General Fund
Taxes:	
Property	\$ 131,972
Other intergovernmental	34,274
Subtotal	166,246
Less: Allowance for uncollectibles	-
Net Receivables	\$ 166,246

**NOTE 5 – CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2019 follows. Land and construction in progress are not subject to depreciation.

<b>GOVERNMENTAL ACTIVITIES</b>	<b>Balance 06/30/18</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 06/30/19</b>
<b>Non-depreciable capital assets:</b>				
Land	\$ 101,289	-	-	101,289
Total non-depreciable capital assets	101,289	-	-	101,289
<b>Capital assets being depreciated:</b>				
Buildings	\$ 1,395,908	-	-	1,395,908
Vehicles	27,375	35,104	-	62,479
Farm Equipment	89,065	5,950	-	95,015
Total capital assets being depreciated	1,512,348	41,054	-	1,553,402
<b>Less accumulated depreciation for:</b>				
Buildings	(69,967)	(53,226)	-	(123,193)
Vehicles	(27,375)	(585)	-	(27,960)
Farm Equipment	(39,972)	(6,622)	-	(46,594)
Total accumulated depreciation	(137,314)	(60,433)	-	(197,747)
Total capital assets being depreciated	1,375,034	(19,379)	-	1,355,655
Total capital assets, net of depreciation	\$ 1,476,323	(19,379)	-	1,456,944

Depreciation expense for the year ended June 30, 2019 totaled \$60,433 and was charged to the general fund's conservation function.

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**NOTE 6 – LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2019, was as follows:

	<u>Balance 6/30/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2016</u>	<u>Amount due within one year</u>
Governmental funds debt					
Compensated absences	\$ 391	4,720	(2,502)	2,609	2,609
Notes payable	<u>1,155,031</u>	<u>-</u>	<u>(38,273)</u>	<u>1,116,758</u>	<u>39,329</u>
Total governmental activities	<u>\$ 1,155,422</u>	<u>4,720</u>	<u>(40,775)</u>	<u>1,119,367</u>	<u>41,938</u>

Long-term liabilities are liquidated from the general fund. No short-term debt was incurred during fiscal year 2019.

The District has the following notes payable outstanding as of June 30, 2019:

<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	\$ 139,370
NMFA - PP-3057	Construct a building	<u>\$ 1,135,703</u>	4.416%	5/1/2038	<u>\$ 977,388</u>
		<u>1,307,454</u>			<u>1,116,758</u>

The payments of principal and interest are paid from pledged governmental mil levy. The revenues pledged totaled \$1,666,717 at June 30, 2019, and equal 24.3% of future revenues at their current rate. During the year ended June 30, 2018, the District collected \$361,518 in pledged revenues, and retired \$87,785 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>
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	45,305	42,480	87,785
2025-2029	258,150	180,776	438,926
2030-2034	326,453	112,473	438,926
2035-2039	<u>321,461</u>	<u>28,477</u>	<u>349,938</u>
Total	<u>\$ 1,116,758</u>	<u>549,959</u>	<u>1,666,717</u>

The notes are all secured with an irrevocable lien placed on the pledged revenues to the extent required to pay the outstanding loan amounts and any related interest. The outstanding notes payable contain (1) a provision that in an event of default, the District could be legally compelled to carry out its duties under the law and the loan agreement, (2) cause the District to account for all of the pledged revenues as if it were the trustee of an express trust, and (3) permit the lender to take whatever action at law or in equity may appear necessary or desirable to collect amounts then due and thereafter to become due under the loan agreement. The District's outstanding notes payable do not contain any subjective

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acceleration clauses to allow the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs. Default remedies entered against the District are limited and may reach only available pledged revenues.

**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, 2019 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.

**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

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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 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.

<b>PERA Contribution Rates and Pension Factors as of July 1, 2018</b>						
<b>Coverage Plan</b>	<b>Employee Contribution Percentage</b>		<b>Employer Contribution Percentage</b>	<b>Pension Factor per year of Service</b>		<b>Pension Maximum as a Percentage of the Final Average Salary</b>
	<b>Annual Salary less than \$20,000</b>	<b>Annual Salary greater than \$20,000</b>		<b>TIER 1</b>	<b>TIER 2</b>	
<b>STATE PLAN</b>						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
<b>MUNICIPAL PLANS 1 - 4</b>						
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%

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<b>MUNICIPAL POLICE PLANS 1 - 5</b>						
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%
<b>MUNICIPAL FIRE PLANS 1 - 5</b>						
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%
<b>MUNICIPAL DETENTION OFFICER PLAN 1</b>						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
<b>STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.</b>						
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%

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

At June 30, 2019, the District reported a liability of \$87,691 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. 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, 2018, the District's proportion was 0.0055%, which was a decrease of 0.0014% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$5,140. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**STATE OF NEW MEXICO  
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,534	2,302
Changes of assumptions	7,950	504
Net difference between projected and actual earnings on pension plan investments	6,504	-
Changes in proportion and differences between District contributions and proportionate share of contributions	2,220	13,444
District contributions subsequent to the measurement date	<u>5,158</u>	<u>-</u>
	<u>\$ 24,366</u>	<u>16,250</u>

\$5,158 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, 2020. 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:	
2020	\$ 5,895
2021	214
2022	(3,433)
2023	282
2024	-
Thereafter	\$ -

**Actuarial assumptions.** The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

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NOTES TO THE FINANCIAL STATEMENTS  
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Actuarial valuation date	June 30, 2017
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	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.00%
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50%
	2.75% rate all other years
	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Mortality Assumption	
Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 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%	7.48%
Risk Reduciton & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets	20.00%	6.48%
Total	<u>100.00%</u>	

**Discount rate:** A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the

**STATE OF NEW MEXICO  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
District's proportionate share of the net pension liability	\$ 135,125	87,691	48,479

***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, 2019.

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, 2019.



**STATE OF NEW MEXICO  
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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, 2019, 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 – GASB 77 – TAX ABATEMENTS**

The District was not part of any tax abatement agreements subject to *GASBS 77 Tax Abatement Disclosures* during the year ended June 30, 2019. As a result, they make no such disclosures related to GASBS 77.

**NOTE 13 – EVALUATION OF SUBSEQUENT EVENTS**

The District has evaluated subsequent events through November 12, 2019, 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0055%	0.0069%	0.0066%	0.0073%	0.0073%
District's proportionate share of the net pension liability (asset)	\$ 87,691	94,812	105,446	65,254	56,948
District's covered-employee payroll	\$ 207,370	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	42.29%	65.74%	62.88%	44.95%	41.15%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,158	4,403	5,774	5,361	4,757
Contributions in relation to the contractually required contribution	<u>5,158</u>	<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>	<u>-</u>
District's covered-employee payroll	\$ 207,370	144,214	167,698	145,169	138,389
Contributions as a percentage of covered-employee payroll	2.49%	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, 2019**

***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 2018 report is available at <http://www.nmpera.org/>

## **COMPLIANCE SECTION**

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Independent Auditor’s Report**

Brian S. Colón  
New Mexico State Auditor  
and  
Kenneth V. Salazar, Chairperson  
East Rio Arriba Soil and Water Conservation District  
Hernandez, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, the aggregate remaining fund information, and the budgetary comparison of the general fund of the East Rio Arriba Soil and Water Conservation District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Board’s basic financial statements and have issued our report thereon dated November 12, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Integrity Accounting + Consulting, LLC*

Integrity Accounting & Consulting, LLC

Albuquerque, NM

November 12, 2019



**STATE OF NEW MEXICO  
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2019**

**SECTION I      SUMMARY OF AUDIT RESULTS**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors' report issued   | Unmodified |
| 2. Internal control over financial reporting:                                    |            |
| a. Material weakness identified?   | No         |
| b. Significant deficiencies identified not considered to be material weaknesses? | No         |
| c. Noncompliance material to the financial statements noted?                     | No         |

**SECTION II      PRIOR YEAR FINDINGS**

None

**SECTION III      CURRENT YEAR FINDINGS**

None

**STATE OF NEW MEXICO  
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT  
OTHER DISCLOSURES  
FOR THE YEAR ENDED JUNE 30, 2019**

**A. AUDITOR PREPARED FINANCIAL STATEMENTS**

Presentation: The accompanying financial statements are the responsibility of the District and are based on information from the District's financial records. Assistance was provided by Integrity Accounting & Consulting to the District in preparing the financial statements.

**B. EXIT CONFERENCE**

The contents of the report for the East Rio Arriba Soil and Water Conservation District were discussed on November 12, 2019. 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