

**STATE OF NEW MEXICO
East Rio Arriba Soil and Water Conservation District**

**Accountants' Compilation Report (ACR)
And
Independent Accountants' Report on Applying Agreed-Upon Procedures**

For the Fiscal Year Ended June 30, 2016

**JOSEPH M. SALAZAR, CPA
P.O. BOX 1744
ESPANOLA, NEW MEXICO 87532
505-747-2775 Phone/Fax**

**State of New Mexico
East Rio Arriba Soil and Water Conservation District**

Table of Contents

June 30, 2016

Introductory Section	<u>Page</u>
Table of Contents	i
Official Roster	ii
Financial Section	
Accountants' Compilation Report	1-2
Basic Financial Statements	<u>Exhibits</u>
Government-wide Financial	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet-Governmental Funds	3
Reconciliation of Governmental Funds Balance Sheets to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Fund	5
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statements of Activities	6
Notes to Financial Statements	9-24
Schedules	<u>Schedules</u>
Schedule of district's proportionate share of net pension liability of PERA Fund Division Municipal General	1
Schedule of District's contributions	2
Notes to required supplementary information	27

**State of New Mexico
East Rio Arriba Soil and Water Conservation District**

Official Roster

June 30, 2016

Board of Supervisors

Kenneth V. Salazar

Ross Garcia Jr.

Ted Salazar

Leroy J. Salazar

J. Lucas Cordova

Position

Chairperson

Vice-Chairperson

Treasurer

Secretary

Member

District Personal

Marcos Valdez

Clara Dubois

Shasta Hensolt

Title

District Manager

Administrative Assistant

Administrative Assistant

JOSEPH M. SALAZAR
CERTIFIED PUBLIC ACCOUNTANT
P.O. Box 1744
Espanola, New Mexico 87532
Phone/Fax 505-747-2775


Independent Accountant's Compilation Report

Mr. Tim Keller
New Mexico State Auditor
Santa Fe, New Mexico
And
East Rio Arriba Soil and Water Conservation District
Board Members
19283 US 84/285 suite 112
Hernandez, New Mexico 87537

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

Accounting principles generally accepted in the United States of America require that Schedules 1 and 2 on page 25 through page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This information is the representation of management. This information was subject to our compilation engagement; however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Management has omitted the management's discussion and analysis information that is required to be presented for purposes of additional analysis. 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.


Joseph M. Salazar CPA
December 6, 2016

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
June 30,2016

Exhibit 1

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 322,684
Cash on deposit with New Mexico Finance Authority	98,553
Property taxes receivable	7,279
Grants receivable	16,608
Total current assets	<u>445,124</u>
Non Current Assets	
Capital assets	1,531,848
less accumulated depreciation	<u>(101,922)</u>
Capital assets net of depreciation	<u>1,429,926</u>
Total capital assets net of depreciation	<u>1,429,926</u>
Total assets	<u>\$ 1,875,050</u>
DEFERRED OUTFLOW OF RESOURCES	
Pension contributions	<u>5,361</u>
Total assets and deferred outflows of resources	<u><u>\$ 1,880,411</u></u>
LIABILITIES	
Liabilities	
Account payable	\$ 3,170
Accrued payroll	6,167
Compensated absences payable	2,900
NMFA Mortgage loan payable-current	5,872
NMFA Mortgage loan payable-current	30,794
Total current liabilities	<u>48,903</u>
Long term liabilities	
NMFA Mortgage loan payable	151,306
NMFA Mortgage loan payable	1,041,114
Net pension liability	<u>65,254</u>
Total long term liabilities	<u>1,257,674</u>
Total liabilities	<u>1,306,577</u>
DEFERRED INFLOWS OF RESOURCES	
Pension investment experience	<u>7,037</u>
NET POSITION	
Invested in capital assets	226,334
Restricted for debt service	98,553
Unrestricted	<u>241,910</u>
Total net position	<u>566,797</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 1,880,411</u></u>

See accompanying notes and accountants compilation report.

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Exhibit 2

	Governmental Activities
Program Expenses	
Conservation:	
Current	
Conservation	\$ 79,537
Personal services	140,709
Operating expenses	116,394
Depreciation	25,494
Total expenses	<u>362,134</u>
 Program Revenues	
Charges for services	3,040
Building rental	62,370
State/local government grants	30,571
Total program revenue	<u>95,981</u>
 Net program (expenses)revenues	<u>(266,153)</u>
General revenues	
NMDA allotment	14,674
Property taxes	346,741
Interest income	333
Total general revenues	<u>361,748</u>
 Change in net position	<u>95,595</u>
 Net Position-Beginning of Year	471,202
Restatement	
Restated net position	471,202
Net Position-End of Year	<u>\$ 566,797</u>

See accompanying notes and accountants compilation report.

STATE OF NEW MEXICO
 EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
 BALANCE SHEET-GOVERNMENTAL FUNDS
 June 30,2016

EXHIBIT 3

ASSETS	General Fund
Cash and cash equivalents	\$ 322,684
Cash on deposit with NM Finance Authority	98,553
Property taxes receivable	7,279
Grants receivable	16,608
Total Assets	\$ 445,124
LIABILITIES AND FUND BALANCES	
Liabilities	
Account payable	\$ 3,170
Accrued payroll	6,167
Total Current Liabilities	9,337
Fund balance	
Unassigned	337,234
Restricted for mortgage loan	98,553
Total fund balance	435,787
Total Liabilities and Fund Balances	\$ 445,124

See accompanying notes and accountants compilation report

**STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

Exhibit 4

FOR THE YEAR ENDED JUNE 30, 2016

Total fund balances for governmental funds		\$ 435,787
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Capital assets	1,531,848	
Accumulated depreciation	<u>(101,922)</u>	
Total capital assets		1,429,926
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Mortgage loan payable-current portion	(36,666)	
Mortgage loan payable	(1,192,420)	
Compensated absences	(2,900)	
Net pension liability	(65,254)	
Total liabilities		(1,297,240)
Deferred inflows		<u>(1,676)</u>
Net Position of Governmental Activities		<u>\$ 566,797</u>

See accompanying notes and accountants compilation report

STATE OF NEW MEXICO
 EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2016

Exhibit 5

	General Fund
REVENUES	
State allocation	\$ 14,674
Property taxes	346,741
Charges for services	3,040
Rental income	62,370
Interest income	333
State grant	7,321
TPS grant	1,642
Noxious weed	5,000
Youth conservation corp	7,677
CWMA grant	8,931
Total Revenues	457,729
EXPENDITURES	
Conservation:	
Current	
Acequia project	38,798
Noxious weed management program	29,317
Farm equipment rental program	5,975
Miscellaneous projects	5,447
Building expense	124,472
Dues	2,125
Financial audit	4,526
Information, education and conservation	1,082
Insurance	645
Office expense	9,504
Personal services	148,080
Per diem and mileage	5,796
Training	3,598
Vehicle expense	808
Total expenditures	380,173
Excess(deficiency) of revenue over expenditures	77,556
Net Changes in Fund Balances	77,556
Fund Balances-Beginning of Year	358,231
Fund Balance-End of Year	\$ 435,787

See accompanying notes and accountants compilation report

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Exhibit 6

FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balance – total governmental funds		\$ 77,556
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:		
Capital outlay	-	
Depreciation expense	<u>(25,494)</u>	
Excess of capital outlay over depreciation expense		(25,494)
Expenses recognized in the Statement of Activities.		
Not reported in governmental funds-increase in compensated absences		(169)
Not reported in governmental funds-decrease in loan		36,162
Not reported in governmental funds-increase in pension liability		(8,306)
Deferred inflows and outflows-net		<u>15,846</u>
Changes in Net Position of Governmental Activities		<u>\$ 95,595</u>

See accompanying notes and accountants compilation report.

State of New Mexico
East Rio Arriba Soil and Water Conservation District
Notes to Financial Statements
June 30, 2016

(1) **Summary of Significant Accounting Policies**

A. Financial Reporting Entity

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 NMSA1978). 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 reporting entity as defined by GASB 14 consists of the primary government, organizations of which the primary government is financially accountable and other organizations whose exclusion from the financial reporting entity would cause the financial statements to be misleading.

A primary government is any state government or general-purpose local government and the organization comprising its legal entity. Although the District is organized as a subdivision of the State and administrative attached to the New Mexico State University, Department of Agriculture, the statutory powers of the District establish it as a primary government with a separate corporate and legal identity. The District has no component units, financially dependent affiliates, or is it legally liable for actions of other agencies.

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of Net Position) report information on all of the non fiduciary activities of the primary government. 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.

State of New Mexico
East Rio Arriba Soil and Water Conservation District
Notes to Financial Statements
June 30, 2016

(1) Summary of Significant Accounting Policies (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. 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 revenue.

Separate financial statements are provided for governmental funds.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if any, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal year period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds.

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

State of New Mexico
East Rio Arriba Soil and Water Conservation District
Notes to Financial Statements
June 30, 2016

(1) Summary of Significant Accounting Policies (continued)

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity, if applicable, has been eliminated from the government-wide financial statements.

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

D. Assets, Liabilities, Net Position and Fund Balance

1. Cash and Investments

The District has defined cash and cash equivalents to include demand deposits and short term investments (certificate 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 fair value.

2. Receivables

Receivables consist of \$7,279 for property taxes receivable, \$7677 from the Youth Conservation Corp and \$8931 from the New Mexico State Forestry. They are considered fully collectible. Property taxes attach an enforceable lien as of January 1. Taxes are payable in equal semi-annual installments on November 10 and April 10 of the subsequent year. The taxes become delinquent thirty days after the due date. The taxes are collected by the Rio Arriba County Treasurer and are remitted to the District in the month following collection.

State of New Mexico
East Rio Arriba Soil and Water Conservation District
Notes to Financial Statements
June 30, 2016

3. Capital Assets

Capital assets, which include property and equipment (including software), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by per Section 12-6-10 NMSA 1978 as assets with an initial cost of \$5,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the items at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized. There is no infrastructure required to be reported pursuant to GASB statement no. 34.

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

Building	39 years
Building improvements	15 years
Farm equipment	5-15 years
Office equipment	5-15 years

4. Payables

The District's accounts payable represent routine monthly bills for services rendered and products purchased and received in the current fiscal year but not paid for until after fiscal year end.

5. Compensated Absences

District employees earn annual leave and sick leave at the rate of four hours per eighty hour biweekly pay period for full time permanent employees. Part time permanent employees accrue annual leave and sick leave on a prorated basis. The maximum amount of annual leave that an employee may carry forward from one calendar year to the next is 140 hours. There is no limit to the amount of sick leave that may be accrued. No payment shall be made for accrued sick leave at the time of separation from the District. Employees have the option to sell their annual leave to the District at the end of the year. Employees will be paid for their accrued annual leave upon separation from the District.

Deferred Outflows/Inflows of Resources

GASB 63 amended previous guidance on deferred revenue in the government-wide financial statements to include deferred outflows, which is the consumption of net position by the government which is applicable to a future reporting period and deferred inflow of resources, which is the acquisition of net position by the government which is applicable to a future reporting period. The District had deferred outflows or inflows of resources at June 30, 2016 due to GASB 68.

State of New Mexico
East Rio Arriba Soil and Water Conservation District
Notes to Financial Statements
June 30, 2016

6. Net Position and Fund Balance

The government-wide financial statements utilize a net asset presentation. Net position are categorized as invested in capital assets (net of related debt, if applicable), restricted and unrestricted.

Investment in capital assets (net of related debt)- is intended to reflect the portion of net position which are associated with capital assets less outstanding capital assets related debt. The District has not debt related to capital assets. Restricted net position - are net position (generated from revenues and not bond proceeds), which have third party (statutory, bond covenant or granting agency) limitation on their use. Unrestricted net position- are net position that do not have third-party (statutory, bond covenant or granting agency) limitations on their use.

In the fund financial statements, governmental funds can report fund balances as:

Nonspendable - amounts that are not in spendable form (such as inventory) or are required to be maintained intact;

Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned – amounts a government intends to use for a specific purpose, intent can be expressed by the governing body or by and official or body to which the governing body delegates the authority;

Unassigned – Amounts that are available for any purpose, positive amounts are reported only in the general fund.

The District's fund balance is unassigned

7. Use of Estimates

Management uses estimate and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Accordingly, actual results could differ from those estimates.

State of New Mexico
East Rio Arriba Soil and Water Conservation District
Notes to Financial Statements
June 30, 2016

II Stewardship, Compliance and Accountability

A. Budgetary Information

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

1. Prior to 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 for approval.
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 final budget.

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

State of New Mexico
 East Rio Arriba Soil and Water Conservation District
 Notes to Financial Statements
 June 30, 2016

III Detailed Notes on all Funds

A. Cash and cash equivalents

Cash and cash equivalents of the District at June 30, 2016:

<u>Name of Depository</u>	<u>Account Name</u>	<u>Bank Balance</u>	<u>Outstanding Checks</u>	<u>Financial Statement Balance</u>
Washington Federal				
	East Rio Arriba SWCD-Checking	\$ 206,832	\$ -	\$ 206,832
	East Rio Arriba SWCD-savings	<u>-</u>	<u>-</u>	<u>-</u>
	Total Washington Federal	206,832	<u>\$ -</u>	<u>\$ 206,832</u>
	Less FDIC coverage	<u>206,832</u>		
	Amount uninsured	<u>-</u>		
Century Bank				
	East Rio Arriba SWCD-Operating	89,188	22,498	66,690
	East Rio Arriba SWCD-Noxious Weed	47,290	1,051	46,239
	East Rio Arriba SWCD-	2,923	<u>-</u>	<u>2,923</u>
	Total Checking	<u>139,401</u>	<u>23,549</u>	<u>115,852</u>
	Less FDIC coverage	<u>139,401</u>		
	Amount uninsured	<u>-</u>		
	Cash and cash equivalents			<u>\$ 322,684</u>

The District accounts with Washington Federal and Century Bank were fully insured under the FDIC. Custodial credit risk is the risk that in the event of a bank (or other custodial agent) failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2016, the District's cash balance of \$322,684 was fully insured.

State of New Mexico
East Rio Arriba Soil and Water Conservation District
Notes to Financial Statements
June 30, 2016

B. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

<u>Governmental Activities</u>	Balance 6/30/15	<u>Additions</u>	<u>Deletions</u>	Balance 6/30/15
Cost				
Land	\$ 101,289	\$ -	\$ -	\$101,289
Building	1,305,911	-	-	1,305,911
Building improvements	1,054	-	-	1,054
Vehicles	27,375	-	-	27,375
Farm equipment	94,569	-	-	94,569
Office equipment	<u>1,650</u>	-	-	<u>1,650</u>
Total capital assets	<u>1,531,848</u>	-	-	<u>1,531,848</u>
Accumulated depreciation				
Building	(16,742)	(16,742)	-	(33,484)
Building improvements	(1,054)	-	-	(1,054)
Vehicles	(21,900)	(5,475)	-	(27,375)
Farm equipment	(35,082)	(3,277)	-	(38,359)
Office equipment	<u>(1,650)</u>	<u>-</u>	<u>-</u>	<u>(1,650)</u>
Total accumulated depreciation	<u>(76,428)</u>	<u>(25,494)</u>	<u>-</u>	<u>(101,922)</u>
Net capital assets	<u>\$1,455,420</u>	<u>\$(25,494)</u>	<u>\$ -</u>	<u>\$1,429,926</u>

Current year depreciation expense is \$25,494 charged to conservation function.

C. Changes in Long-Term Debt

Long term debt activity for the year ended June 30, 2016 was as follows:

	Balance 6/30/16	Increase	Decrease	Balance 6/30/15	Amount due within 1 year
NM Finance Authority Loan	1,102,244	-	30,336	1,071,908	30,794
NM Finance Authority Loan	163,004	-	5,826	157,178	5,872
Compensated Absences Payable	<u>2,731</u>	<u>2,919</u>	<u>2,750</u>	<u>2,900</u>	<u>2,900</u>
Total	<u>\$1,267,979</u>	<u>\$2,919</u>	<u>\$38,912</u>	<u>\$1,231,986</u>	<u>\$39,566</u>

The District's general fund is used to pay the loans and compensated absences.

State of New Mexico
East Rio Arriba Soil and Water Conservation District
Notes to Financial Statements
June 30, 2016

Mortgage Loan-Land

In fiscal year 2012, the District purchased land to build a District Office for \$101,290. The District entered into a loan agreement with the New Mexico Finance Authority for \$171,754. The mortgage loan is for twenty four years maturing on April 2037. The interest rate is 3.188%. As of June 30, 2012 the District had drawn down \$171,754 on the loan. The balance on the mortgage loan owed as of June 30, 2016 was \$157,178. The annual debt service requirements for the mortgage loan at June 30, 2016 are as follows:

Year Ended	Principal	Interest	Total
2017	5,872	4,593	10,465
2018	5,930	4,535	10,465
2019	6,006	4,459	10,465
2020	6,100	4,365	10,465
2021	6,210	4,254	10,464
2022-2026	33,304	19,021	52,325
2027-2031	38,376	13,949	52,325
2032-2036	45,299	7,026	52,325
2037	<u>10,081</u>	<u>383</u>	<u>10,464</u>
Total	<u>\$157,178</u>	<u>\$62,585</u>	<u>\$219,763</u>

State of New Mexico
East Rio Arriba Soil and Water Conservation District
Notes to Financial Statements
June 30, 2016

Mortgage Loan-Building

In fiscal year 2013, the New Mexico Finance Authority (NMFA) approved a loan for the construction of a building for twenty five years maturing 2038the District Office for \$1,135,703 at a blended interest rate of 4.965%. The Mortgage loan is for twenty five years maturing on 2038. During fiscal year 2016 the district built the building and the NMFA make direct payment to the construction contractor and the district incurred some additional expenditures for the building. The project was completed as of June 30, 2015.The District has made monthly payments of approximately \$6,443 of principals and interest since February of 2015. The balance on the mortgage loan owed as of June 30, 2016 was \$1,071,908. The annual debt service requirements for the mortgage loan at June 30, 2016 are as follows:

Year Ended	Principal	Interest	Total
2017	30,794	46,527	77,321
2018	31,459	45,862	77,321
2019	32,267	45,053	77,320
2020	33,229	44,092	77,321
2021	34,336	42,985	77,321
2022-2026	193,966	192,638	386,604
2027-2031	244,477	142,127	386,604
2032-2036	314,947	71,657	386,604
2037-2038	<u>156,433</u>	<u>7,471</u>	<u>163,904</u>
Total	<u>\$1,071,908</u>	<u>\$638,412</u>	<u>\$1,710,320</u>

State of New Mexico
East Rio Arriba Soil and Water Conservation District
Notes to Financial Statements
June 30, 2016

D. Pension Plan – Public Employees Retirement Association

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Contributions. The contribution requirements of defined benefit plan members and the East Rio Arriba and Water Soil Conservation District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at

State of New Mexico
East Rio Arriba Soil and Water Conservation District
Notes to Financial Statements
June 30, 2016

Pension Plan – Public Employees Retirement Association (Continued)

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage options that apply to East Rio Arriba and Water Soil Conservation District (District) is: Municipal General Division. Statutorily required contributions to the pension plan from the District were \$5,453 and employer paid member benefits that were “picked up” by the employer were \$ -0- for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The East Rio Arriba and Water Soil Conservation District proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General Division, at June 30, 2016, the District reported a liability of \$65,254 for its proportionate share of the net pension liability. At June 30, 2015, the District’s proportion was .0073 percent, which was unchanged from its proportion measured as of June 30, 2014, due to the insignificance of the difference.

For the year ended June 30, 2016, the District recognized PERA Fund Division Municipal General Division pension expense of \$837. At June 30, 2016, the District reported PERA Fund Division Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

State of New Mexico
 East Rio Arriba Soil and Water Conservation District
 Notes to Financial Statements
 June 30, 2016

Pension Plan – Public Employees Retirement Association (Continued)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	1,445
Changes of assumptions	-	25
Net difference between projected and actual earnings on pension plan investments	-	206
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	5,361	5,361
Total	5,361	7,037

\$5,361 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$(1,728)
2018	(1,728)
2019	(1,728)
2020	3,508
2020	-
Thereafter	-

State of New Mexico
East Rio Arriba Soil and Water Conservation District
Notes to Financial Statements
June 30, 2016

Pension Plan – Public Employees Retirement Association (Continued)

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

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.75% annual rate, net of investment expense
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate

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

State of New Mexico
 East Rio Arriba Soil and Water Conservation District
 Notes to Financial Statements
 June 30, 2016

Pension Plan – Public Employees Retirement Association (Continued)

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

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

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the District net pension liability in each PERA Fund Division that participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

**State of New Mexico
East Rio Arriba Soil and Water Conservation District
Notes to Financial Statements
June 30, 2016**

Pension Plan – Public Employees Retirement Association (Continued)

PERA Fund Division (A)	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	111,101	65,254	27,135

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

Payables to the pension plan. Employers should disclose the amount of payables to the Plan with a description of what gave rise to the payable per GASBS 68, paragraphs 122 and 124.

E. Risk Management

The East Rio Arriba Soil and Water Conservation District is exposed to various risks of loss. The District carries insurance with the various insurance companies. Coverage is provided for General Liability, Surety Bond, Property and Workers Compensation.

F. Contingent Liabilities

There are no known contingent liabilities and therefore, no provision for contingencies in these financial statements.

G. Rental Lease

The District entered into a lease agreement with the United States Department of Agriculture (USDA) to rent office space to USDA at \$\$4,973 per month beginning on January 1, 2015 through December 31, 2025.

Schedule 1

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

	2016	2015
20215 District's proportion of the net pension liability (asset)	65,254	56,948
District's proportionate share of the net pension liability (asset)	.0073%	.0073%
District's covered-employee payroll	145,169	138,389
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	44.95%	41.15%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	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.

See accompanying notes and accountants compilation report

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

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$5,361	\$4,757
Contributions in relation to the contractually required contribution	5,361	4,757
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
District covered-employee payroll	145,169	132,653
Contributions as a percentage of covered-employee payroll	4%	4%

* 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.

See accompanying notes and accountants compilation report

East Rio Arriba Soil and Water Conservation District
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

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

Changes of assumptions.

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf. The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

STATE OF NEW MEXICO

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

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

YEAR ENDED June 30, 2016

**JOSEPH M. SALAZAR CPA
P.O. BOX 1744
ESPANOLA, NEW MEXICO 87532
PHONE/FAX 505-747-2775
STATE OF NEW MEXICO**

EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT

TABLE OF CONTENTS

June 30, 2016

Title page	i
Table of Contents	ii
Official Roster	iii
Independent Accountants Report on Applying Agreed Upon Procedures	1-7
Schedule of Revenues and Expenditures Budget and Actual Non-GAAP Budgetary Basis	8
Schedule of Findings and Responses	9
Exit Conference	10

**State of New Mexico
East Rio Arriba Soil and Water Conservation District**

Official Roster

June 30, 2016

Board of Supervisors

Kenneth V. Salazar

Ross Garcia Jr.

Ted Salazar

Leroy J. Salazar

J. Lucas Cordova

Position

Chairperson

Vice-Chairperson

Treasurer

Secretary

Member

District Personal

Marcos Valdez

Clara Dubois

Shasta Hensolt

Title

District Manager

Administrative Assistant

Administrative Assistant

JOSEPH M. SALAZAR
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1744
Española, New Mexico 87532
Phone/Fax 505-747-2775

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED UPON PROCEDURES

Kenneth V. Salazar, President
East Rio Arriba Soil and Water Conservation District
and
Honorable Tim Keller
New Mexico State Auditor

We have performed the procedures enumerated below for the East Rio Arriba Soil and Water Conservation District (ERASWCD) for the year ended June 30, 2016. The ERASWCD was determined to be a Tier 6 entity under the Audit Act Section 12-6-3 (B) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the ERASWCD through the Office of the New Mexico State Auditor. The East Rio Arriba Soil and Water Conservation District management is responsible for the organization's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no 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. Our procedures and findings are as follows:

Our procedures and findings are as follows:

Procedures

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

Findings

We determined that the local public body is a tier 6 engagement.

2. **Cash**

Procedures

- a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.

- b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reporting submitted to DFA-Local Government Division.
- c) Determine whether the local public body's financial institution have provided it with 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Findings

- a) The ERASWCD has three checking accounts, and a savings account and utilizes QuickBooks to record cash transactions. All of the accounts were reconciled on a monthly basis. All bank statements and reconciliations were complete and on-hand for the entire year.
- b) We tested the bank reconciliations for the months of December of 2015 and June 2016 for all four bank accounts and traced to the District's financial records and the reports submitted to DFA-Local Government Division. No exceptions noted.
- c) All accounts at the two banks have FDIC coverage of \$250,000. The bank accounts had FDIC coverage of \$250,000. The bank accounts never exceeded uninsured limits and, therefore, pledged collateral was not required on any of the bank accounts at any time during the year.

3. Capital Assets

Procedures

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

Findings

The ERASWCD performed a yearly inventory as required by Section 12-6-10 NMSA 1978.

4. Debt

Procedures

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

Findings

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. Revenues

Procedures

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

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

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

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statements.
- c) Proper recording of classification, amounts, 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.

Findings:

- a) We performed analytical review and test of actual revenues compared to budget revenues for the year for each revenue type. No exceptions noted.
- b) Amounts recorded in QuickBooks general ledger agreed to the supporting documentation (deposit slips and detail of receipts) and the bank statements. No exceptions noted.
- c) Amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation. No exceptions noted.

6. Expenditures

Procedures

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

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, 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 order, 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).

Findings

- a) Our tests of transactions revealed that amounts recorded as disbursed agreed to the supporting documentation. The documentation agrees as to amount, payee, date and description agreed with the vendor's invoice. No exceptions noted.
- b) ERASWCD disbursements were properly authorized and approved in compliance with legal requirements and established policies and procedures.
- c) The bid process (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 Purchase Regulations (1.4.1 NMAC) and regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

7. Journal Entries

Procedures

If non-routine journal entries, such as adjustment or reclassification, are posted to the general ledger, test significant items for the following attribute:

- 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.

Findings

The ERASWCD utilizes QuickBooks to record cash transactions only and did not prepare formal entries for the year ended June 30, 2016.

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 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, actual or modified accrual basis) for each individual fund.

Findings

- a) A preliminary budget was submitted to DFA-LGD for approval in June 2014 and is reflected in the minutes.
- b) Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.
- c) ERASWCD prepared and submitted the budget report for the fiscal year ended June 30, 2016 to DFA-LGD. This schedule is included herein as Exhibit A. Exhibit A is the ERASWCD budgetary report submitted to DFA-LGD at June 30, 2016.

9. Capital Outlay Appropriations

Procedures

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

Test all capital outlay expenditures during the fiscal year to:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b) Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.
- c) Determine that the bid process(or request for proposal process if applicable), purchase order, contract, 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 assets 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.

Findings

- a) The District did not receive or expend any capital outlay appropriations during the fiscal year ended June 30, 2016.

Procedures

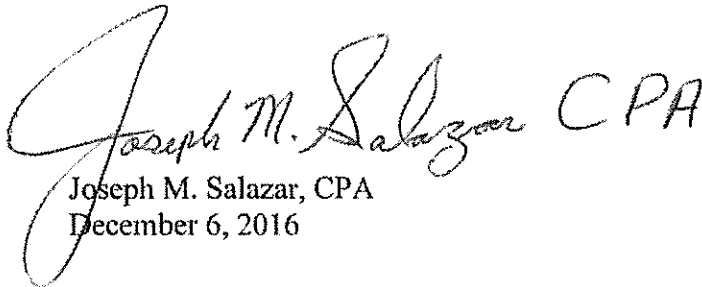
If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The finding must include the required contents per Section 2.2.2.1-(1) (3) (C) NMAC.

Findings

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

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

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


Joseph M. Salazar, CPA
December 6, 2016

STATE OF NEW MEXICO Exhibit A
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUE AND EXPENDITURES- BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) GENERAL FUND
For Year Ended June 30, 2016

	GENERAL FUND			
	Budget Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Property taxes	\$ 334,531	\$ 334,531	\$ 345,702	11,171
USDA rental	59,676	62,376	62,370	(6)
Noxious weed program	5,000	5,000	5,000	-
State allocation- NMSU	14,741	14,741	14,674	(67)
Interest income	412	412	184	(228)
Farm equipment rental	2,750	2,750	3,040	290
Grant		4,000	7,321	3,321
CWMA grant	2,000	10,000		(10,000)
Miscellaneous	2,000	33,978	1,642	(32,336)
	<u>421,110</u>	<u>467,788</u>	<u>\$ 439,933</u>	<u>\$ (27,855)</u>
Cash balance budgeted	<u>12,931</u>	<u>7,380</u>		
Total revenues and cash balance budgeted	<u>\$ 434,041</u>	<u>\$ 475,168</u>		
Expenditures				
Current				
Acequia projects	\$ 40,000	\$ 40,000	\$ 38,798	\$ 1,202
Noxious weed project	70,000	70,000	28,717	41,283
Farm equipment rental program	3,087	5,587	5,975	(388)
Building expense	114,406	114,406	122,646	(8,240)
Dues	2,025	2,025	2,125	(100)
Financial audit	4,526	4,526	4,526	0
Information education/conservation	4,246	4,246	1,082	3,164
Insurance	1,945	1,945	645	1,300
Office expense	7,668	7,668	12,048	(4,380)
Payroll expenses	148,961	182,088	145,169	36,919
Per diem & mileage	9,679	9,679	5,796	3,883
Training	4,331	4,331	3,598	733
Vehicle expense	1,914	1,914	719	1,195
Conservation projects expense	21,253	26,753	5,217	21,536
Total expenditures	<u>\$ 434,041</u>	<u>\$ 475,168</u>	<u>\$ 377,061</u>	<u>\$ 98,107</u>

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
Schedule of Findings and Responses
YEAR ENDED JUNE 30, 2016

No current or prior year audit findings

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT

Exit Conference

YEAR ENDED JUNE 30, 2016

Exit Conference

The report contents were discussed at an exit conference held December 6, 2016 with the following in attendance:

East Rio Arriba Soil and Water Conservation District

Kenneth V. Salazar, Chairperson

Clara Dubois, Administrative Assistant

Shasta Hensolt, Administrative Assistant

Accounting Firm

Joseph M. Salazar, CPA