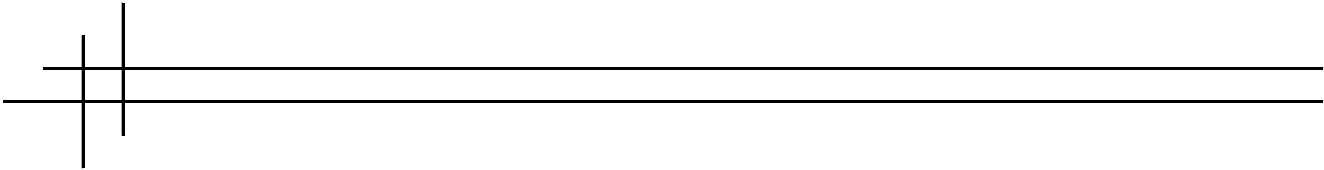


State of New Mexico  
**Edgewood Soil and Water Conservation District**  
Moriarty, New Mexico

**Annual Financial Report**  
June 30, 2018

**De'Aun Willoughby CPA, PC**  
Certified Public Accountant  
Clovis, NM 88101



State of New Mexico  
**Edgewood Soil and Water Conservation District**  
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 For the Year Ended June 30, 2018

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State of New Mexico  
**Edgewood Soil and Water Conservation District**  
Official Roster  
June 30, 2018

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**Board of Supervisors**

David King	Chairperson
Lewis Fisher	Vice-Chairperson
Bill King	Secretary/Treasurer
Juan Sanchez	Supervisor
Arthur Swenka	Supervisor
Bill Williams	Supervisor

**District Personnel**

Brenda Smythe	District Manager
Kelly Smith	District Technician
Karlyn Bates	Administrative Assistant

# De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

## Independent Auditor's Report

Mr. Wayne Johnson  
State Auditor of the State of New Mexico  
Board of Supervisors of the Edgewood Soil and Water Conservation District

Mr. Johnson and Members of the Board

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activity, the major fund, and the budgetary comparison for the general fund of Edgewood Soil and Water Conservation District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 activity the major fund of the District as of June 30, 2018, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for the Pension Plan 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 sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*De'Aun Willoughby, CPA, PC*

Clovis, New Mexico  
November 29, 2018

State of New Mexico  
**Edgewood Soil and Water Conservation District**  
Government-Wide Statement of Net Position  
June 30, 2018

Assets	Governmental Activities
Current Assets	
Cash and Cash Equivalents	\$ 33,773
Taxes Receivable	83,237
Inventory	37,870
Restricted Cash	37,972
Total Current Assets	<u>192,852</u>
Noncurrent Assets	
Capital Assets	1,527,271
Less Accumulated Depreciation	<u>(368,855)</u>
Total Noncurrent Assets	<u>1,158,416</u>
Total Assets	<u>1,351,268</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	6,155
Investment Experience	12,852
Changes of Assumptions	7,224
Changes in Proportion	14,017
Contributions Subsequent to Measurement Date	<u>10,576</u>
Total Deferred Outflows of Resources	<u>50,824</u>
Liabilities	
Current Liabilities	
Accounts Payable	1,160
Accrued Salaries and Benefits	4,725
Compensated Absences	13,982
Current Portion of Long Term Debt	<u>22,593</u>
Total Current Liabilities	<u>42,460</u>
Noncurrent Liabilities	
Loans Payable	175,110
Pension Liability	<u>156,646</u>
Total Noncurrent Liabilities	<u>331,756</u>
Total Liabilities	<u>374,216</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	8,023
Changes of Assumptions	<u>1,619</u>
Total Deferred Inflows of Resources	<u>9,642</u>
Net Position	
Net Investment in Capital Assets	960,713
Restricted	37,972
Unrestricted	19,549
Total Net Position	<u>\$ 1,018,234</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Edgewood Soil and Water Conservation District**  
 Government-Wide Statement of Activities  
 For the Year Ended June 30, 2018

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	Governmental Activities
Program Expenses	
Conservation Programs	299,667
Personnel Services	\$ 214,414
Operating Expenses	134,747
Interest Expense	5,721
Total Program Expenses	<u>654,549</u>
Program Revenues	
Conservation Grant	105,623
Total Program Revenues	<u>105,623</u>
Net Program (Expense) Revenue	<u>(548,926)</u>
General Revenues	
Property Taxes	404,541
State Allocation	13,641
Interest Income	662
Miscellaneous	13,299
Total General Revenues	<u>432,143</u>
Change in Net Position	<u>(116,783)</u>
Net Position at Beginning of Year	1,095,440
Restatement-Note E	39,577
Restated Beginning Net Position	<u>1,135,017</u>
Net Position at End of Year	<u>\$ 1,018,234</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Edgewood Soil and Water Conservation District**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2018

---

	General Fund
<b>Assets</b>	
Cash and Cash Equivalents	\$ 33,773
Taxes Receivable	83,237
Inventory	37,870
Restricted Cash	37,972
Total Assets	<u>\$ 192,852</u>
<b>Liabilities</b>	
Accounts Payable	\$ 1,160
Accrued Wages and Benefits	4,725
Total Liabilities	<u>5,885</u>
<b>Deferred Inflows of Resources</b>	
Unavailable Revenue	75,110
Total Deferred Inflows of Resources	<u>75,110</u>
<b>Fund Balances</b>	
Nonspendable-Inventory	37,870
Restricted for Debt Service	37,972
Unrestricted	36,015
Total Fund Balances	<u>111,857</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 192,852</u>

The notes to the financial statements are an integral part of this statement.



State of New Mexico  
**Edgewood Soil and Water Conservation District**  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Position  
 June 30, 2018

---

Total Fund Balance - Governmental Funds \$ 111,857

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

Property taxes receivable will be collected after the period of availability, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 75,110

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital Assets	\$ 1,527,271	
Accumulated Depreciation	<u>(368,855)</u>	1,158,416

Deferred Outflows and Inflows Related to Pensions are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions	50,824	
Deferred Inflows Related to Pensions	<u>(9,642)</u>	41,182

Long-term and certain other liabilities, including loans payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :

Loans	(197,703)	
Pension Liability	(156,646)	
Compensated Absences	<u>(13,982)</u>	<u>(368,331)</u>

Total Net Position - Governmental Activities \$ 1,018,234

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Edgewood Soil and Water Conservation District**  
Governmental Funds  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended June 30, 2018

	<u>General</u>
Revenues	
Property Taxes	\$ 399,292
Conservation Grants	105,623
State Allocation	13,641
Rent	8,520
Fees	4,130
Interest Income	662
Miscellaneous	649
Total Revenues	<u>532,517</u>
Expenditures	
Current	
Advertising	6,223
Building Expense	34,650
Conservation Programs	278,597
Dues	1,068
Insurance	3,463
Meetings	11,263
Miscellaneous	1,074
Office and Postage	31,033
Personnel Services	198,132
Professional Fees	21,452
Travel and Per Diem	12,775
Vehicle	11,746
Capital Outlay	8,400
Debt Service	
Principal	22,068
Interest	5,721
Total Expenditures	<u>647,665</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(115,148)</u>
Fund Balances at Beginning of Year	199,172
Restatement-Note E	27,833
Restated Beginning Fund Balance	<u>227,005</u>
Fund Balance End of Year	<u>\$ 111,857</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Edgewood Soil and Water Conservation District**  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 to the Statement of Activities  
 June 30, 2018

---

Excess (Deficiency) of Revenues Over Expenditures \$ (115,148)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as deferred revenues. They are however, recorded as revenues in the Statement of Activities.

Property Taxes Receivable, June 30, 2017	\$ (69,860)	
Property Taxes Receivable, June 30, 2018	<u>75,110</u>	5,250

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	(21,070)	
Capital Outlays	<u>8,400</u>	(12,670)

Pension contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension expense is reported in the Statement of Activities but not in the governmental funds.

Pension Contributions	10,574	
Pension Expense	<u>(27,721)</u>	(17,147)

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

22,068

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2017	14,846	
Compensated Absences, June 30, 2018	<u>(13,982)</u>	<u>864</u>

Changes in Net Position of Governmental Activities \$ (116,783)

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Edgewood Soil and Water Conservation District**  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Cash Balance  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 410,000	\$ 410,000	\$ 391,167	\$ (18,833)
Conservation Grant	300,000	300,000	202,553	(97,447)
State Allocation	15,000	15,000	13,641	(1,359)
Rent	8,520	8,520	8,520	0
Seed Sales	20,000	20,000	5,390	(14,610)
Fees	0	0	4,130	4,130
Interest Income	0	0	661	661
Miscellaneous	0	0	649	649
Total Revenues	<u>753,520</u>	<u>753,520</u>	<u>626,711</u>	<u>(126,809)</u>
<b>Expenditures</b>				
Advertising	0	0	6,518	(6,518)
Building Expense	37,000	37,000	34,000	3,000
Conservation Programs	390,000	390,000	290,746	99,254
Dues	3,000	3,000	1,068	1,932
Insurance	3,500	3,500	3,463	37
Meetings	15,000	15,000	6,418	8,582
Miscellaneous	788	788	1,074	(286)
Office and Postage	26,000	26,000	31,053	(5,053)
Personnel Services	208,500	208,500	198,492	10,008
Professional Fees	20,000	20,000	21,453	(1,453)
Travel and Per Diem	20,000	20,000	17,620	2,380
Vehicle	0	0	12,136	(12,136)
Capital Outlay	0	0	8,400	(8,400)
Debt Service				
Principal	22,068	22,068	22,068	0
Interest	5,714	5,714	5,721	(7)
Total Expenditures	<u>751,570</u>	<u>751,570</u>	<u>660,230</u>	<u>91,340</u>
Excess (Deficiency) of Revenues Over Expenditures	1,950	1,950	(33,519)	(35,469)
Cash Balance Beginning of Year	<u>105,264</u>	<u>105,264</u>	<u>105,264</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 107,214</u>	<u>\$ 107,214</u>	<u>\$ 71,745</u>	<u>\$ (35,469)</u>

State of New Mexico  
**Edgewood Soil and Water Conservation District**  
General Fund  
Statement of Revenues, Expenditures, and Changes in Cash Balance  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2018

---

Reconciliation of Budgetary Basis to GAAP Basis	
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis	\$ (33,519)
Net Change in Grant Receivable	(102,320)
Net Change in Property Taxes Receivable	13,376
Net Change in Inventory	12,149
Net Change in Accounts Payable	54
Net Change in Accrued Payroll	360
Net Change in Deferred Taxes	(5,248)
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis	\$ <u>(115,148)</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Edgewood Soil and Water Conservation District**  
Notes to the Financial Statements  
June 30, 2018

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**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Edgewood 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, two 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 for 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 organizations comprising its legal entity. Although the District is organized as a subdivision of the State and administratively attached to the New Mexico State University, Department of Agriculture, the statutory powers of the District establish it as a primary government with a separate corporate and legal identity. The District has no component units, financially dependent affiliates, nor is it legally liable for actions of other agencies.

The District participates in a Memorandum of Understanding for Watershed Health and Restoration in the Estancia Underground Water Basin. The Edgewood, East Torrance, Claunch-Pinto and Ciudad Soil and Water Conservation Districts work separately and collectively on restoration conservation practice implementation in the basin area and are responsible for actions, activities and implementation of each project in their respective district in accordance with the rules of the fiscal administering entity and funding source. There is no financial arrangement and modifications to this agreement can be made at any time by mutual consent of the participants. Any district can withdraw from this MOU at any time after Supervisory Board action and written notification to the remaining districts.

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 statements, 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 and statement of activities) report information on all of the nonfiduciary 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 significant extent on fees and charges for support. However, the District does not have any fiduciary or business-type activities.

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) sales of chemicals to customers 2) contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, and 3) conservation grants. Taxes and other items not properly included among program revenues are reported instead as general revenues.

State of New Mexico  
**Edgewood Soil and Water Conservation District**  
Notes to the Financial Statements  
June 30, 2018

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**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 30 days of the end of the current fiscal period. Expenditures are generally recorded when the 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, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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.

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**

**Cash and Investments**

The District's cash consists of demand deposits.

**Taxes Receivable**

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 County Treasurer and are remitted to the District in the month following collection.

State of New Mexico  
**Edgewood Soil and Water Conservation District**  
Notes to the Financial Statements  
June 30, 2018

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**Inventory**

The District's inventory consists of grass seed held for sale and /or use by the District. Inventory is reported at cost in the governmental activities column in the government-wide financial statements determined using the first-in, first-out method. Inventory items are reported in governmental funds as expenditures when purchased. In addition, an asset and corresponding nonspendable fund balance is reported in the governmental fund balance sheet for inventory.

**Capital Assets**

Capital assets, which include property, equipment (including software), farm equipment and furniture are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by state law 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 item 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.

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

Building	40 years
Vehicles and Equipment	5-12 years

**Accounts payable**

The account payable as of the balance sheet date includes routine monthly bills for services rendered and products purchased which are paid in the following month.

**Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. Accrued vacation at June 30, 2018, was \$13,982.

According to District policy, employees accrue leave at 3.08 hours per pay period if employed less than three years, increasing to 4 hours for less than seven years, 5 hours for less than eleven years, 6 hours for less than fifteen years, and 6.30 hours for 15 or more years. Employees may not carry more than 240 hours forward from one calendar year to the next.

**Loan and Notes Payable**

During the fiscal year ended June 30, 2007, the District entered into a mortgage agreement with New Mexico Finance Authority in the amount of \$427,511 for their agricultural and office building project. The term of this loan is twenty years and carries a 2.35% interest rate. The outstanding principal balance June 30, 2018 was \$197,703.



State of New Mexico  
**Edgewood Soil and Water Conservation District**  
Notes to the Financial Statements  
June 30, 2018

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**Net Position and Fund Balance**

The difference between the District's assets and liabilities is its net position. The District's net position consist of four components — invested in capital assets, which is the cost of capital assets, net of accumulated depreciation, restricted for the loan program and unrestricted net position. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation and/or are legally restricted by outside parties for use for a specific purpose. A portion of the fund balance has been reserved for the loan program. The loan program resources have been classified as restricted assets on the Statement of Net Position because their use is restricted by the lender.

**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 April 1, the Budget Committee submits to the District Board of Supervisors a proposed revenue and expenditure budget for the fiscal year beginning July 1.
2. The Board reviews the budget proposal and makes any necessary adjustments.
3. Prior to June 1, the Board approves the budget by passing a resolution.
4. Prior to June 20, 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.

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. There were no changes made to the budget during the fiscal year. Encumbrance accounting is not utilized by the District.

**B. Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis Financial Statements**

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

Reconciliations are located at the bottom of each budget actual statement.

State of New Mexico  
**Edgewood Soil and Water Conservation District**  
Notes to the Financial Statements  
June 30, 2018

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**III. Detailed Notes on all Funds**

**A. Cash and Investments**

	Account Type	Bank Balance 6/30/18	Reconciled Balance 6/30/18
Wells Fargo			
Edgewood SWCD	Checking-Interest bearing	\$ 84,512	\$ 23,949
Edgewood SWCD-CD	Savings-Interest bearing	5,000	5,000
		<u>89,512</u>	<u>\$ 28,949</u>
	Less FDIC coverage	(89,512)	
	50% collateral requirement	0	
	Pledged securities	0	
	Amount uninsured	<u>\$ 0</u>	
US Bank			
Edgewood SWCD	Checking-Interest bearing	\$ 4,824	\$ 4,824
		<u>4,824</u>	<u>\$ 4,824</u>
	Less FDIC coverage	(4,824)	
	50% collateral requirement	0	
	Pledged securities	0	
	Over (Under) requirement	<u>\$ 0</u>	
Bank of America-NMFA			
Agricultural Building Project	Savings-Interest bearing	\$ 10,306	\$ 10,306
Reserve	Savings-Interest bearing	27,666	27,666
		<u>\$ 37,972</u>	<u>\$ 37,972</u>

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

**Custodial Credit Risk-Deposits**

Depository Account	Bank Balance
Insured	\$ 94,336
Collateralized	
Collateral provided by NMFA	37,972
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 132,308</u>

*Custodial Credit Risk* — Deposits. Custodial credit risk is the risk that in the event of a bank 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, 2018 none of the District's bank balances of \$132,308 were exposed to custodial credit risk.

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**B. Capital Assets**

	Beginning Balance 6/30/17	Additions	Deletions	Ending Balance 6/30/18
Capital Assets, not being Depreciated				
Land	\$ 606,511	\$ 0	\$ 0	\$ 606,511
Total Capital Assets, not being Depreciated	<u>606,511</u>	<u>0</u>	<u>0</u>	<u>606,511</u>
Capital Assets, being Depreciated				
Building	742,544	8,400	200	751,144
Equipment	119,669	0	0	119,669
Vehicles	49,947	0	0	49,947
Total Capital Assets, being Depreciated	<u>912,160</u>	<u>8,400</u>	<u>200</u>	<u>920,760</u>
Less Accumulated Depreciation				
Building	196,787	19,354	200	216,341
Equipment	112,596	1,716	(11,745)	102,567
Vehicles	49,947	0	0	49,947
Total Accumulated Depreciation	<u>359,330</u>	<u>21,070</u>	<u>(11,545)</u>	<u>368,855</u>
	<u>\$ 1,159,341</u>	<u>\$ (12,670)</u>	<u>\$ 11,745</u>	<u>\$ 1,158,416</u>

Depreciation expense was charged to governmental activities as follows:

Conservation	\$ 21,070
Total Depreciation Expenses	<u>\$ 21,070</u>

**C. Long Term Debt**

A summary of activity in the Long-Term Debt is as follows:

	Beginning Balance 6/30/17	Reductions	Ending Balance 6/30/18	Amounts Due Within One Year
NMFA Mortgage	\$ <u>219,771</u>	\$ <u>22,068</u>	\$ <u>197,703</u>	\$ <u>22,593</u>
	Beginning Balance 6/30/17	Earned	Used	Ending Balance 6/30/18
Compensated Absences	\$ <u>14,845</u>	\$ <u>8,833</u>	\$ <u>9,696</u>	\$ <u>13,982</u>

During the fiscal year ended June 30, 2007, the District entered into a mortgage agreement with New Mexico Finance Authority in the amount of \$427,511 for their agricultural and office building project. The term of this loan is twenty years and carries a 2.35% interest rate. The outstanding principal balance June 30, 2017 was \$197,703.

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The debt service requirements to maturity are as follows:

	Principal	Interest	Total
2019	\$ 22,593	\$ 4,703	\$ 27,296
2020	23,143	4,211	27,354
2021	23,720	3,694	27,414
2022	24,323	3,151	27,474
2023	24,955	2,581	27,536
2024-2026	78,969	4,031	83,000
	\$ 197,703	\$ 22,371	\$ 220,074

**IV. Other Information**

**A. Pension Plan**

**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 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's. 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**

*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.

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

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*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* – The following tables illustrate the various coverage options under the PERA plan and the contribution rates effective during the year.

<b>PERA Contribution Rates and Pension Factors as of July 1, 2017</b>						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
<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%
<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%

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

At June 30, 2017, the District reported a liability of \$156,646 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the District's proportion was 0.0114%, which was unchanged from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$27,721. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,155	\$ 8,023
Net difference between projected and actual earnings on pension plan investments	12,852	0
Changes of assumptions	7,224	1,619
Changes in proportion and differences between the District's contributions and proportionate share of contributions	14,017	0
District's contributions subsequent to the measurement date	10,576	0
Total	\$ 50,824	\$ 9,642

\$10,576 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, 2018. 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	\$ 13,170
2018	18,742
2019	2,450
2020	(3,756)
Total	\$ 30,606

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

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year Smoothed Market Value
Actuarial assumptions:	
(1) Investment rate of return	7.51% annual rate, net of investment expense
(2) Projected benefit payment	100 years
(3) Payroll growth	2.75% for first 9 years, then 3.5% annual rate
(4) Projected salary increases	2.75% to 14.00% annual rate
(5) Includes inflation at	2.75% annual rate for the first 9 years and 2.75% all other years
(6) Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
(7) Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2016 (economic)

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

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

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

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*Discount rate.* A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, compounded annually, net of expense. Based on the stated assumptions and the 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 employer name’s proportionate share of the net pension liability calculated using the discount rate of 7.51 percent, as well as what the employer name’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
The District’s proportionate share of the net pension liability	\$ 245,516	\$ 156,646	\$ 82,738

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

**B. 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 \$1,000,000 for each wrongful act and \$1,000,000 for the policy aggregated. The District is required to obtain a corporate fidelity bond on behalf of persons responsible for District assets. The District currently maintains a \$100,000 fidelity bond on its Program Director and Board of Supervisors. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

**C. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at the time, although the government expects such amounts, if any to be immaterial.

**D. Subsequent Events**

Subsequent events were evaluated through November 29, 2018, which is the date the financial statements were available to be issued.

**E. Restatement**

The Net Position was restated \$39,577. \$11,745 of that amount was a restatement to capital assets to agree the audit to the depreciation schedule and \$27,833 was to include NMFA reserve cash balance.



**Required Supplemental Information**

State of New Mexico

**Edgewood Soil and Water Conservation District**

Schedules of Required Supplementary Information and Notes for Pension Plan

**Schedule of the District's Proportionate Share of the Net Pension Liability**

Last 10 Fiscal Years\*

	Fiscal Year Measurement Date	2015 2014	2016 2015	2017 2016	2018 2017
District's proportion of the net pension liability		0.00800%	0.00990%	0.01140%	0.01140%
District's proportionate share of the net pension liability	\$	62,409 \$	100,939 \$	182,135 \$	156,646
District's covered-employee payroll	\$	95,024 \$	110,536 \$	129,469 \$	142,918
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		65.68%	91.32%	140.68%	109.61%
Plan fiduciary net position as a percentage of the total pension liability		81.29%	76.99%	69.18%	73.74%

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

**Schedule of District's Contributions**

Last 10 Fiscal Years\*

	June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 7,032	\$ 8,180	\$ 9,581	\$ 10,576
Contributions in relation to the contractually required	7,032	8,180	9,581	10,576
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	\$ 95,024	\$ 110,536	\$ 129,469	\$ 142,918
Contributions as a percentage of covered-employee	7.40%	7.40%	7.40%	7.40%

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

**Notes to Required Supplementary Information**

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

The notes to the financial statements are an integral part of this statement.

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

Mr. Wayne Johnson  
State Auditor of the State of New Mexico  
Board of Supervisors of the Edgewood Soil and Water Conservation District

Mr. Johnson and Members of the Board

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, each major fund and the budgetary comparisons of the general fund of Edgewood Soil and Water Conservation District (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 29, 2018.

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 District'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 are less severe than a material weakness, yet important enough to merit attention by those charged with governance. However, material weaknesses may exist that have not been identified.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2018-003 and 2018-004

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of it's 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 an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as items 2018-001 and 2018-002.

#### District's Responses to Findings

The District's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Responses. Responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### 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.

*De'Aun Willoughby, CPA, PC*

Clovis, New Mexico  
November 29, 2018

**Prior Year Audit Findings**

**None**

**Current Year Audit Findings**

**2018-001 Late Audit Contract - Other Non-Compliance**

**Condition**

The IPA recommendation and audit contract was not received by the Office of the State Auditor by the required due date of May 15, 2018.

**Criteria**

Paragraph (6) or Subsection G of 2.2.2.8 NMAC requires the contract be received by the Office of the State Auditor by May 15, 2018.

**Cause**

The District did not receive any quotes from the various requests that were made in by deadline.

**Effect**

Paragraph (6) or Subsection G of 2.2.2.8 NMAC was violated.

**Recommendation**

Keeping track of the number of years an auditor has contracted with the IPA as well as adding the due date to a calendar as a reminder should resolve the finding.

**Response**

Audit contract was at OSA on May 23, 2018. The District insures this deadline will be met in 2019.

**Responsible Party and Timeline**

Brenda R. Smythe, District Manager, is responsible and the finding will be resolved by May 31, 2019.

**2018-002 I-9's - Other Non-Compliance**

**Condition**

The District did not have I-9s on file for any of the three employees.

**Criteria**

Section 274A (b) of the Immigration and Nationality Act (INA), codified in 8 U.S.C. § 1324a (b), requires employers to verify the identity and employment eligibility of all individuals hired in the United States after November 6, 1986. 8 C.F.R. § 274a.2 designates the Employment Eligibility Verification Form I-9 (Form I-9) as the means of documenting this verification. Employers are required by law to maintain for inspection original Forms I-9 for all current employees.

**Cause**

Management was not aware I-9s were required.

**Effect**

Penalties for substantive violations, which includes failing to produce a Form I-9, range from \$110 to \$1,100 per violation.

**Recommendation**

We recommend I-9s be completed as soon as possible for the three employees and I-9s should be completed for all new hires.

**Response**

I-9s for the three staff members have been completed.

**Responsible Party and Timeline**

Brenda R. Smythe, District Manager is responsible for this finding and it has been resolved.

**2018-003 DFA Report - Compliance and Internal Control-Significant Deficiency**

**Condition**

As of June 30, 2018 the reconciled bank balance was \$33,773.29. The quarterly report balance submitted to DFA was \$30,560, a difference of \$3,213.29.

**Criteria**

6-3A-9 (B) NMSA 1978 Quarterly reporting - Quarterly reports shall compare actual performance for the report period with targeted performance and shall be filed with the division and committee within thirty days of the end of a reporting period. Per Section 6-6-3 NMSA 1978, every local public body shall keep all the books, records and accounts in their respective offices in the form prescribed by the local government division; make all reports as may be required by the local government division; and conform to the rules and regulations adopted by the local government division.

**Cause**

The reconciliation was not received from the CPA firm that reconciles the bank account to the books prior to submission of the DFA quarterly report.

**Effect**

The information reported to DFA was inaccurate which could possibly lead to poor management and oversight decisions about the finances of the District.

**Recommendation**

We recommend the District submit correct reports to DFA.

**Response**

Zlotnick, Laws and Sandoval are working closely with District Manager to get all reconciliations back and loaded into Quick Books in a timely manner.

**Responsible Party and Timeline**

Brenda R. Smythe, District Manager is responsible for this finding. The District is confident that this issue will be resolved by January 2019.

**2018-004 PERA - Compliance and Internal Control-Significant Deficiency**

**Condition**

Out of the 26 PERA reports tested we noted the following:

The District did not pay the PERA contributions on or before the fifth working day following the payday.

Eight of the 26 contribution transmittal reports were not submitted by the 15th of the following month.

**Criteria**

2.80.500.8 (B) NMAC - The employer shall transmit to PERA the member and employer contributions for every member in its employ for each pay period on or before the fifth working day following the payday applicable to the pay period. The contributions shall be accompanied by a transmittal report in a format designated by PERA, which shall clearly set forth the amount of employer and member contributions, and adjustments for prior pay periods if applicable, transmitted. (C) Except as provided in subsection H below, a penalty of fifty dollars (\$50) per day shall be assessed for any employee and employer contribution transmittal report that is untimely. For purposes of this subsection, "untimely" is defined as fifteen (15) days after the end of the month in which the transmittal report was due.

**Cause**

The issue is with PERA's website. They have changed their website several times to streamline reporting and payments. The reporting and payment sites do not communicate with each other.

**Effect**

The District is in violation with 2.80.500.8 (B)(C)

**Recommendation**

The District should pay the PERA contributions and submit contribution transmittal reports timely.

**Response**

The Edgewood SWCD is in constant communication with PERA and are both working hard to get the District into compliance.

**Responsible Party and Timeline**

Brenda R. Smythe, District Manager is responsible for this finding and is confident they will have this finding resolved by June 2019.

**Financial Statement Preparation**

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

**Exit Conference**

An exit conference was held on November 29, 2018. Those present were, David King-Chairman, Brenda Smythe-District Manager, and De'Aun Willoughby, CPA.