



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

**Annual Financial Report**  
June 30, 2019

**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, 2019

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State of New Mexico  
**Edgewood Soil and Water Conservation District**  
Official Roster  
June 30, 2019

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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
Mark Anaya	Supervisor
Mark Dixon	Associate Supervisor
Christina Allday-Bondy	Associate Supervisor

**District Personnel**

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

# De'Aun Willoughby CPA, PC

Certified Public Accountant

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## Independent Auditor's Report

Mr. Brian S. Colón  
State Auditor of the State of New Mexico  
Board of Supervisors of the Edgewood Soil and Water Conservation District

Mr. Colón 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, 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

### 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, 2019, 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 December 15, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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  
December 15, 2019

State of New Mexico  
**Edgewood Soil and Water Conservation District**  
Government-Wide Statement of Net Position  
June 30, 2019

Assets	Governmental Activities
Current Assets	
Cash and Cash Equivalents	\$ 114,039
Taxes Receivable	91,318
Due from Grantor	39,250
Inventory	29,274
Restricted Cash	28,113
Total Current Assets	<u>301,994</u>
Noncurrent Assets	
Capital Assets	1,566,521
Less Accumulated Depreciation	(389,967)
Total Noncurrent Assets	<u>1,176,554</u>
Total Assets	<u>1,478,548</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	78,178
Total Deferred Outflows of Resources	<u>78,178</u>
Liabilities	
Current Liabilities	
Accounts Payable	12,230
Accrued Salaries and Benefits	5,577
Compensated Absences	11,464
Current Portion of Long Term Debt	55,977
Total Current Liabilities	<u>85,248</u>
Noncurrent Liabilities	
Loans Payable	177,332
Pension Liability	216,834
Total Noncurrent Liabilities	<u>394,166</u>
Total Liabilities	<u>479,414</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	6,940
Total Deferred Inflows of Resources	<u>6,940</u>
Net Position	
Net Investment in Capital Assets	943,245
Restricted	28,113
Unrestricted	99,014
Total Net Position	<u>\$ 1,070,372</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, 2019

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	Governmental Activities
Program Expenses	
Conservation Programs	\$ 124,412
Personnel Services	232,992
Operating Expenses	90,205
Interest Expense	11,114
Total Program Expenses	<u>458,723</u>
Program Revenues	
Sales and Fees	18,758
Conservation Grant	33,436
Capital Grant	39,250
Total Program Revenues	<u>91,444</u>
Net Program (Expense) Revenue	<u>(367,279)</u>
General Revenues	
Property Taxes	398,555
State Allocation	14,095
Interest Income	890
Miscellaneous	5,875
Total General Revenues	<u>419,415</u>
Change in Net Position	52,136
Net Position at Beginning of Year	<u>1,018,236</u>
Net Position at End of Year	<u>\$ 1,070,372</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, 2019

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	General Fund
<b>Assets</b>	
Cash and Cash Equivalents	\$ 114,039
Taxes Receivable	91,318
Due from Grantor	39,250
Inventory	29,274
Restricted Cash	28,113
<b>Total Assets</b>	<b>\$ 301,994</b>
<b>Liabilities</b>	
Accounts Payable	\$ 12,230
Accrued Wages and Benefits	5,577
<b>Total Liabilities</b>	<b>17,807</b>
<b>Deferred Inflows of Resources</b>	
Unavailable Revenue	83,193
<b>Total Deferred Inflows of Resources</b>	<b>83,193</b>
<b>Fund Balances</b>	
Nonspendable-Inventory	29,274
Restricted for Debt Service	28,113
Unrestricted	143,607
<b>Total Fund Balances</b>	<b>200,994</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 301,994</b>

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, 2019

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Total Fund Balance - Governmental Funds \$ 200,994

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. 83,193

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

Capital Assets	\$	1,566,521	
Accumulated Depreciation		<u>(389,967)</u>	1,176,554

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		78,178	
Deferred Inflows Related to Pensions		<u>(6,940)</u>	71,238

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		(233,309)	
Pension Liability		(216,834)	
Compensated Absences		<u>(11,464)</u>	<u>(461,607)</u>

Total Net Position - Governmental Activities \$ 1,070,372

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, 2019

	<u>General</u>
Revenues	
Property Taxes	\$ 390,471
Conservation Grants	33,436
Capital Grants	39,250
State Allocations	14,095
Sales	10,238
Rent	8,520
Interest Income	891
Miscellaneous	5,875
Total Revenues	<u>502,776</u>
Expenditures	
Current	
Conservation Expenses	103,300
Payroll and Benefits	205,378
Operating Expense	90,205
Capital Outlay	39,250
Debt Service	
Principal	49,394
Interest	11,114
Total Expenditures	<u>498,641</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,135</u>
Other Financing Sources (Uses)	
Loan Proceeds	85,000
Total Other Sources (Uses)	<u>85,000</u>
Net Change in Fund Balance	<u>89,135</u>
Fund Balances at Beginning of Year	<u>111,859</u>
Fund Balance End of Year	<u>\$ 200,994</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, 2019

Net Change in Fund Balance \$ 89,135

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, 2018	\$ (75,110)	
Property Taxes Receivable, June 30, 2019	<u>83,193</u>	8,083

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	(21,112)	
Capital Outlays	<u>39,250</u>	18,138

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	10,576	
Pension Expense	<u>(40,708)</u>	(30,132)

New loans borrowed are other financing sources in the governmental funds, but they increase long-term liabilities and repayment of loan principal is an other financing source in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

New Loans Borrowed	(85,000)	
Principal Paid on Loans	<u>49,394</u>	(35,606)

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, 2018	13,982	
Compensated Absences, June 30, 2019	<u>(11,464)</u>	<u>2,518</u>

Changes in Net Position \$ 52,136

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, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 390,000	\$ 400,000	\$ 390,471	\$ (9,529)
Grants-General	15,000	15,000	14,095	(905)
Grants-Program	300,000	100,000	33,437	(66,563)
Grants-Capital	0	50,000	0	(50,000)
Seed Sales	20,000	20,000	10,238	(9,762)
Rent	8,520	8,520	8,520	0
Interest Income	50	650	890	240
Miscellaneous	0	50	5,875	5,825
Total Revenues	<u>733,570</u>	<u>594,220</u>	<u>463,526</u>	<u>(130,694)</u>
<b>Expenditures</b>				
Advertising	0	0	5,603	(5,603)
Building Expense	27,000	36,000	26,631	9,369
Conservation Expenses	360,000	180,000	83,510	96,490
Contract Services	12,000	1,000	0	1,000
Dues and Subscriptions	3,000	1,000	551	449
Education	0	0	2,900	(2,900)
Election	0	500	500	0
Insurance	40,000	45,000	3,334	41,666
Meetings	15,000	500	2,475	(1,975)
Miscellaneous	38	500	626	(126)
Office	26,000	22,000	19,212	2,788
Payroll and Benefits	172,000	172,000	204,526	(32,526)
Professional Fees	16,000	17,000	16,443	557
Service Charges	0	0	1,471	(1,471)
Travel	10,000	10,000	10,579	(579)
Capital Outlay	0	0	39,250	(39,250)
Debt Service				
Principal	27,782	112,632	49,394	63,238
Interest	0	0	11,114	(11,114)
Total Expenditures	<u>708,820</u>	<u>598,132</u>	<u>478,119</u>	<u>120,013</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>24,750</u>	<u>(3,912)</u>	<u>(14,593)</u>	<u>(10,681)</u>
<b>Other Financing Sources (Uses)</b>				
Loan Proceeds	0	84,850	85,000	(150)
Total Other Sources (Uses)	<u>0</u>	<u>84,850</u>	<u>85,000</u>	<u>(150)</u>
Net Change in Fund Balance	<u>24,750</u>	<u>80,938</u>	<u>70,407</u>	<u>(10,831)</u>
Cash Balance Beginning of Year	<u>71,745</u>	<u>71,745</u>	<u>71,745</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 96,495</u>	<u>\$ 152,683</u>	<u>\$ 142,152</u>	<u>\$ (10,831)</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, 2019

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Reconciliation of Budgetary Basis to GAAP Basis	
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis	\$ 70,407
Net Change in Grant Receivable	39,250
Net Change in Property Taxes Receivable	8,080
Net Change in Inventory	(8,596)
Net Change in Accounts Payable	(11,071)
Net Change in Accrued Payroll	(852)
Net Change in Deferred Taxes	(8,083)
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis	<u>\$ 89,135</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, 2019

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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, 2019

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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.

**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.

State of New Mexico  
**Edgewood Soil and Water Conservation District**  
Notes to the Financial Statements  
June 30, 2019

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**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.

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.

**Short -Term Debt**

Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The District does have a short-term line of credit.

**Long-Term Liabilities**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is minimal. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net of debt proceeds received, are reported as debt service expenditures.



State of New Mexico  
**Edgewood Soil and Water Conservation District**  
Notes to the Financial Statements  
June 30, 2019

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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).

Reconciliation is located at the bottom of the Statement of Revenues, Expenditures, and Changes in Cash Balance Budget and Actual (Budgetary Basis)

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**III. Detailed Notes on all Funds**

**A. Cash and Investments**

	Account Type	Bank Balance 6/30/19	Reconciled Balance 6/30/19
<b>Wells Fargo</b>			
Edgewood SWCD	Checking-Interest bearing	\$ 156,920	\$ 92,874
Edgewood SWCD-CD	Savings-Interest bearing	5,000	5,000
		<u>161,920</u>	<u>\$ 97,874</u>
	Less FDIC coverage	<u>(161,920)</u>	
	50% collateral requirement	0	
	Pledged securities	0	
	Amount uninsured	<u>\$ 0</u>	
<b>US Bank</b>			
Edgewood SWCD	Checking-Interest bearing	\$ 2,565	\$ 5,437
		<u>2,565</u>	<u>\$ 5,437</u>
	Less FDIC coverage	<u>(2,565)</u>	
	50% collateral requirement	0	
	Pledged securities	0	
	Over (Under) requirement	<u>\$ 0</u>	
<b>Bank of America-NMFA</b>			
Agricultural Building Project	Savings-Interest bearing	\$ 10,728	\$ 10,728
Reserve	Savings-Interest bearing	28,113	28,113
		<u>\$ 38,841</u>	<u>\$ 38,841</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	\$ 164,485
Collateralized	
Collateral provided by NMFA	38,841
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 203,326</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, 2019 none of the District's bank balances of \$203,326 were exposed to custodial credit risk.

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**B. Receivables**

Following is a schedule of receivables as of June 30, 2019:

Property Taxes Receivable:

Available	\$	8,125
Unavailable		83,193
	\$	91,318

**C. Capital Assets**

	Beginning Balance 6/30/18	Additions	Deletions	Ending Balance 6/30/19
Capital Assets, not being Depreciated				
Land	\$ 606,511	\$ 0	\$ 0	\$ 606,511
Construction in Progres	0	39,250	0	39,250
Total Capital Assets, not being Depreciated	606,511	0	0	645,761
Capital Assets, being Depreciated				
Building	751,144	0	0	751,144
Equipment	119,669	0	0	119,669
Vehicles	49,947	0	0	49,947
Total Capital Assets, being Depreciated	920,760	0	0	920,760
Less Accumulated Depreciation				
Building	216,341	19,396	0	235,737
Equipment	102,567	1,716	0	104,283
Vehicles	49,947	0	0	49,947
Total Accumulated Depreciation	368,855	21,112	0	389,967
	\$ 1,158,416	\$ (21,112)	\$ 0	\$ 1,176,554

Depreciation expense was charged to governmental activities as follows:

Conservation	\$	21,112
Total Depreciation Expenses	\$	21,112

**D. Short Term and Long Term Debts**

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

	Beginning Balance 6/30/18	Additions	Reductions	Ending Balance 6/30/19
NMFA Mortgage	\$ 197,703	\$ 0	\$ 22,593	\$ 175,110
Wells Fargo	0	50,000	14,955	35,045
Wells Fargo-Line of Credit	0	35,000	11,846	23,154
Total	\$ 197,703	\$ 85,000	\$ 49,394	\$ 233,309

		Amounts Due Within One Year
NMFA Mortgage	\$	23,143
Wells Fargo		9,680
Wells Fargo		23,154

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Total				55,977
	Beginning Balance 43,281	Earned	Used	Ending Balance 43,646
Compensated Absences	\$ 13,982	\$ 7,039	\$ 9,557	\$ 11,464

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.

During the fiscal year ended June 30, 2019, the District entered into two loan agreements with Wells Fargo. One was a \$50,000 *BusinessLine*, interest rate Prime Rate 2 + 6.75% for cash purchases. There is no maturity date. The *BusinessLine* does earn cash rewards. The balance of the cash rewards on June 30, 2019 was \$0. The other loan was a term loan of \$50,000 at an interest rate of 9.75% maturing August 12, 2023 with monthly payments of \$1,056.21. The chairman of the board personally guaranteed the loans.

The debt service requirements to maturity are as follows:

	Principal	Interest	Total
2020	\$ 55,977	\$ 8,621	\$ 64,598
2021	34,387	5,698	40,085
2022	36,078	4,067	40,145
2023	27,898	2,621	30,519
2024	25,617	1,983	27,600
2025-2026	53,352	2,048	55,400
	\$ 233,309	\$ 25,038	\$ 258,347

**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.

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**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.

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.

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<b>PERA Contribution Rates and Pension Factors in effect during Fiscal Year 2018</b>						
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 3</b>						
7.42%	8.92%	16.99%	3.00%	2.50%	90%	
<b>Municipal Plan 1 (plan open to new employers)</b>						
7.00%	8.50%	7.40%	2.00%	2.00%	90%	
<b>Municipal Plan 2 (plan open to new employers)</b>						
9.15%	10.65%	9.55%	2.50%	2.00%	90%	
<b>Municipal Plan 3 (plan closed to new employers 6/00)</b>						
13.15%	14.65%	9.55%	3.00%	2.50%	90%	
<b>Municipal Plan 4 (plan closed to new employers 6/95)</b>						
15.65%	17.15%	12.05%	3.00%	2.50%	90%	
<b>Municipal Police Plan 1</b>						
7.00%	8.50%	10.40%	2.00%	2.00%	90%	
<b>Municipal Police Plan 2</b>						
7.00%	8.50%	15.40%	2.50%	2.00%	90%	
<b>Municipal Police Plan 3</b>						
7.00%	8.50%	18.90%	2.50%	2.00%	90%	
<b>Municipal Police Plan 4</b>						
12.35%	13.85%	18.90%	3.00%	2.50%	90%	
<b>Municipal Police Plan 5</b>						
16.30%	17.80%	18.90%	3.50%	3.00%	90%	
<b>Municipal Fire Plan 1</b>						
8.00%	9.50%	11.40%	2.00%	2.00%	90%	
<b>Municipal Fire Plan 2</b>						
8.00%	9.50%	17.90%	2.50%	2.00%	90%	
<b>Municipal Fire Plan 3</b>						
8.00%	9.50%	21.65%	2.50%	2.00%	90%	
<b>Municipal Fire Plan 4</b>						
12.80%	14.30%	21.65%	3.00%	2.50%	90%	
<b>Municipal Fire Plan 5</b>						
16.20%	17.70%	21.65%	3.50%	3.00%	90%	
<b>Municipal Detention Officer Plan 1</b>						
16.65%	18.15%	17.05%	3.00%	3.00%	90%	
<b>State Police and Adult Correctional Officer Plan 1</b>						
7.60%	9.10%	25.50%	3.00%	3.00%	90%	
<b>State Plan 3 Peace Officer</b>						
7.42%	8.20%	16.99%	3.00%	3.00%	90%	
<b>Juvenile Correctional Officer Plan 2</b>						
4.78%	6.28%	26.12%	3.00%	3.00%	90%	

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

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At June 30, 2019, the District reported a liability of \$216,834 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the District's proportion was 0.01360%, which was an increase of 0.00220% from its proportion measured as of

For the year ended June 30, 2018, the District recognized pension expense of \$40,708. 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	\$ 6,267	\$ 5,693
Net difference between projected and actual earnings on pension plan investments	16,082	0
Changes of assumptions	19,659	1,247
Changes in proportion and differences between the District's contributions and proportionate share of contributions	25,594	0
District's contributions subsequent to the measurement date	10,576	0
<b>Total</b>	<b>\$ 78,178</b>	<b>\$ 6,940</b>

\$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	
2019	\$ 34,739
2020	16,192
2021	8,856
2022	875
Total	\$ 60,662

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

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay

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Amortization period	Solved for based on statutory rates
Asset valuation method	
Actuarial assumptions:	
(1) Investment rate of return	7.25% annual rate, net of investment expense
(2) Projected benefit payment	100 years
(3) Payroll growth	3.00%
(4) Projected salary increases	3.25% to 13.50% annual rate
(5) Includes inflation at	2.50%, 2.75% all other years
(6) Mortality Assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
(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, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets	20.00%	6.48%
Total	<u>100.00%</u>	

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



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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
The District's proportionate share of the net pension liability.	\$ <u>334,127</u>	\$ <u>216,834</u>	\$ <u>119,873</u>

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. Tax Abatement Disclosures**

The District has not been affected by a tax abatement.

**E. Subsequent Events**

Subsequent events were evaluated through December 15, 2019, which is the date the financial statements were available to be issued.

**F. Related Party**

District Manager husband does grounds maintenance, oil changes in District's vehicles, drip irrigation, general facility maintained - was paid a total of \$2,370 for the fiscal year. Daughter is paid for janitorial duties and was paid a total of \$4,505 for the fiscal year.

## **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	2019 2018
District's proportion of the net pension liability.		0.00800%	0.00990%	0.01140%	0.01140%	0.01360%
District's proportionate share of the net pension liability.	\$	62,409	\$ 100,939	\$ 182,135	\$ 216,834	\$ 216,834
District's covered-employee payroll.	\$	95,024	\$ 110,536	\$ 129,469	\$ 142,918	\$ 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%	151.72%	151.72%
Plan fiduciary net position as a percentage of the total pension liability.		81.29%	76.99%	69.18%	73.74%	73.74%

**Schedule of District's Contributions**

Last 10 Fiscal Years\*

	June 30,				
	2015	2016	2017	2018	2019
Contractually required contribution.	\$ 7,032	\$ 8,180	\$ 9,581	\$ 10,576	\$ 10,576
Contributions in relation to the contractually required contribution.	7,032	8,180	9,581	10,576	10,576
Contribution deficiency (excess).	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
District's covered-employee payroll.	\$ 95,024	\$ 110,536	\$ 129,469	\$ 142,918	\$ 142,918
Contributions as a percentage of covered-employee payroll.	7.40%	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/>

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. Brian S. Colón  
State Auditor of the State of New Mexico  
Board of Supervisors of the Edgewood Soil and Water Conservation District

Mr. Colón 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 identify deficiencies in internal control that we consider to be material weaknesses, 2019-001, 2019-002, 2019-003, 2019-004. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2019-005, 2019-006, 2019-007.

#### 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 its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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. 2019-008, 2019-009.

#### 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  
December 15, 2019

**Prior Year Audit Findings**

	<u>Status</u>
2018-001 Late Audit Contract	Repeated & Modified
2018-002 I-9's	Resolved
2018-003 DFA Report	Repeated & Modified
2018-004 PERA	Repeated & Modified

**Current Year Audit Findings**

**Summary of Audit Results**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	4
• Significant deficiencies identified that are not considered to be material weaknesses?	3
Noncompliance material to financial:	0

**2019-001 Reconciled Cash Balances - Compliance and Internal Control-Material Weakness**

**Condition**

NMFA reserve cash balance is not included in the books. Wells Fargo bank reconciliation said \$100,265.23, however the reconciled balance was \$92,873.83. Sam's credit card charges of \$7,780.00 were not included in the books. There were 3 old outstanding checks totaling \$388.60 included in the reconciliation that should have been voided and resolved. US Bank had an outstanding deposit of \$2,871.71 that should have been included in the reconciliation. And finally the books includes Western Commerce Bank balance of \$20,134.91, last transaction was 6/30/17. Six of the 12 bank reconciliations for both Wells Fargo and US Bank were not reconciled timely nor were the transactions for the credit card entered timely.

**Criteria**

NMAC 2.2.5.8 (4) Bank reconciliations are to be performed timely and agreed to the general ledger. Within Title 2, Chapter 20, Part 5. Pubic Finance Accounting by Governmental Entities of the New Mexico Administrative Code, The Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately. In accordance with 6.20.2.14 whenever any check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57(A), NMSA 1978.

**Cause**

The District has been working closely with an oversight bookkeeping firm and believed these issues had been corrected.

**Effect**

Failing to reconcile and keep books in good order provides management with inaccurate financial information causing overspending and financial difficulties.

**Recommendation**

Books and records should be accurate to provide management with the information to make good management decisions.

**Response**

The District has been working closely with an oversight bookkeeping firm. The Credit card charges, 3 outstanding checks, and the Western Commerce Bank balance have been addressed and will be corrected.

**Responsible Position**

Board of Supervisors

**Timeline**

January 31, 2020

**2019-002 (2018-003) Department of Finance and Administration (DFA) Report - Compliance and Internal Control - Material Weakness**

**Condition**

The DFA report's adjusted cash balance does not agree to the reconciled cash balance. The DFA report does not include outstanding checks. The DFA report does not include the budget. Audited beginning cash balance was \$71,745.57 and the DFA report says \$56,946. Audited revenues were \$548,375.54, DFA revenues 542,670. Audited Expenditures were \$477,969.66, DFA expenditures were 478,489. Audited ending cash \$142,151.45, DFA's ending cash balance \$121,126.

**Management has not made progress resolving this issue.**

**Criteria**

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 DFA report was based on inaccurate books because they were not reconciled and maintained in a timely manner to provide accurate information to prepare the DFA 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 which lead to financial difficulties.

**Recommendation**

We recommend the District submit correct reports to DFA based on accurate books and records.

**Response**

The Board Chair and District Manager have a scheduled meeting on 12/19/19 with the District's oversight bookkeeping firm to insure records are done in a timely manner.

**Responsible Parties**

District Manager and Board of Supervisors

**Timeline**

January 31, 2020



**2019-003 Expenditures - Compliance and Internal Control-Material Weakness**

**Condition**

Of the 41 expenditures tested the following was found:

There were four automatic withdrawals for payments to Sam's Club MasterCard totaling \$28,461.27 that had either no supporting documentation or missing supporting documentation. Interest and late fees paid to the credit card company was \$1,471.

Check number 10217 for \$900.00 showed cleared in the books. Check number 10217 was voided, the check that cleared the bank was check number 10218.

Four bills were not paid within 30 day totaling \$28,461.27.

One check was written before the invoice date. The invoice was dated 5/6/19 and the check was written 5/2/19.

**Criteria**

Except as provided in Subsection D of this section, upon certification by the central purchasing office or the using agency that services, construction, or items of tangible personal property have been received and accepted, payment shall be tendered to the contractor within thirty days of the date of certification. If payment is made by mail, the payment shall be deemed tendered on the date it is postmarked. After the thirtieth day from the date that written certification of acceptance is issued, late payment charges shall be paid on the unpaid balance due on the contract to the contractor at the rate of one and one-half percent per month. For purchases funded by state or federal grants to the local public bodies, if the local public body has not received the funds from the federal or state funding agency, payments shall be tendered to the contractor within five working days of receipt of funds from that funding agency. Per 13-1-158 NMSA 1978.

**Cause**

The credit cards receipts are not kept or could not be located. The District was having financial difficulty resulting in borrowing a short term and long term loan to cover the shortages causing bills to be paid late.

**Effect**

Without proper documentation, expenditures can not be supported. Without timely reconciled books providing accurate information, overspend occurred causing financial difficulties resulting in late paid bills.

**Recommendation**

All documentation for every expense in the District must be kept with receipts attached to statements proving the expenditures are for District purposes. Timely and accurate financial information is necessary to avoid overspending which resulted in borrowing money causing late payment of expenditures.

**Response**

Receipts are kept for all purchases completed by staff. Manager and Administrator have set a daily routine in place to insure all receipts are attached to credit card statement and available at all times. The Board Chair and District Manager have a scheduled meeting on 12/19/19 with the District's oversight bookkeeping firm to insure records are done in a timely manner and placed in the correct budget line.

**Responsible Parties**

Board of Supervisors

**Timeline**

January 31, 2020

**2019-004 Credit Cards - Compliance and Internal Control-Material Weakness**

**Condition**

The District is not allowed to have the credit card they are currently using because the credit card is not a credit card procured under DFA's FCD's procurement card program (currently the Bank of America PCard). This is the only credit card, other than cards for gas for official vehicles and telephone cards, which New Mexico governmental entities may use.

**Criteria**

Memorandum on Credit Card Usage issued by the State of New Mexico Department of Finance and Administration dated June 22, 2018. As per the General Appropriation Act Section 3.J "Except for gasoline credit cards used solely for operation of official vehicles, telephone credit cards used solely for official business and procurement cards used as authorized by Section 6-5-9.1 NMSA 1978, none of the appropriations contained in the General Appropriations Act may be expended for payment of agency-issued credit card invoices".

**Cause**

Management was not aware the District may not use the Sam's MasterCard.

**Effect**

The District potentially could lose spending control with the use of these cards because the purchases do not follow the District's procurement process. In addition the District has a potential risk of loss and theft through inappropriate purchases by an employee or the loss of control of the credit card number resulting in fraudulent use.

**Recommendation**

The District should not have a credit card except for gasoline credit cards.

**Response**

The District has had this credit card in place since 2007. Management and the Board of Supervisors are aware of the need for better control of the credit card usage and will use check payment for all activities that a check is an available payment method. No fraudulent usage has been made with this card.

**Responsible Parties**

Board of Supervisors

**Timeline**

January 31, 2020

**2019-005 Payroll - Compliance and Internal Control-Significant Deficiency**

**Condition**

(1) The District offers compensatory time in lieu on overtime but is not calculating compensatory time at time and a half times the hours worked. One employee worked 42 hours in 1 week but only received 2 hours of compensatory time instead of 3 hours.

(2) The District was unable to produce the 6/30/19 Employer's Quarterly Wage and Contribution

**Criteria**

(1) Fair Labor Standards Act - FLSA - 29 U.S. Code Chapter 8 Section 207 (o)(1) Employees of a public agency which is a State, a political subdivision of a State, or an interstate governmental agency may receive, in accordance with this subsection and in lieu of overtime compensation, compensatory time off at a rate not less than one and one-half hours for each hour of employment for which overtime compensation is required by this section.

(1) New Mexico Department of Labor, Employment Security Division. State Unemployment (SUTA Form 903A) is due by the last day of the month following end of the quarter.

**Cause**

(1) Management did not have an understanding of how to calculate comp time. (2) Management relied on an third party provider to prepare the State Unemployment reports.

**Effect**

(1) If the Department of Labor (DOL) finds that the District has willfully violated the FLSA, the DOL may sue for back wages and double damages. The DOL can also prosecute violations criminally with fines of up to \$10,000. Civil money penalties of up to \$1,100 per violation are also possible for willful and repeated violations.

(2) The District could be subject to penalties and interest.

**Recommendation**

(1) Training that includes compensation of compensatory time in lieu on overtime and how it is calculated is necessary.

(2) Add report due dates to a calendar and ensure the district receives a copy of the report from the third party preparer before the deadline.

**Response**

The District was unaware that comp time was to be calculated at 1 1/2 times. This has been corrected. The District was just transferred to ADP from Wells Fargo Payroll, and some of the reports are not available online as stated. The District Manager is working with ADP to insure all reports are available.

**Responsible Party**

District Manager

**Timeline**

January 31, 2020

**2019-006 (2018-004 PERA) - Compliance and Internal Control-Significant Deficiency**

**Condition**

Six of the 12 monthly PERA reports were filed and paid late.

**Management has not made progress resolving this issue.**

**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 District has been working with PERA for the last year to correct personnel time and payments in the PERA system. As of July 1, 2019 all time etc. has been corrected and all reports are in to PERA.

**Effect**

The District is in violation with 2.80.500.8 (B)(C') and may be charged penalties.

**Recommendation**

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

**Response**

The District has been working with PERA for the last year to correct personnel time and payments in the PERA system. As of July 1, 2019 all time etc. has been corrected and all reports are in to PERA.

**Responsible Position**

District Manager

**Timeline**

January 31, 2020

**2019-007 Late Approved Budget - Compliance and Internal Control-Significant Deficiency**

**Condition**

The fiscal year 18-19 budget was not approved until August 9, 2018.

**Criteria**

Chapter 6, Article 3, Section 6-3-7 NMSA1978 - Each state agency shall annually on or before May 1 submit to the state budget division a budget for the ensuing fiscal year, in such form as may be prescribed by the division and containing such information concerning the anticipated receipts, expenditures and balances on hand as may be prescribed by law or by the state budget division. Such budget shall be subject to the approval of the state budget division and no expenditures shall be made by any state agency for the fiscal year covered by said budget until the budget shall have been approved by the state budget division, provided that any action by the division shall be subject to review and modification by the governor.

**Cause**

The District followed the NM Soil & Water Commission deadline of July 30th.

**Effect**

Without proper authorization to spend money overspending can occur causing financial difficulties.

**Recommendation**

Budgets should be prepared and approved timely.

**Response**

We do not agree with this finding.

**Responsible Position**

District Manager

**Timeline**

May 1, 2020

**Auditor's Rebuttal**

The District said they followed the July 30th deadline. However, the documentation on DFA's website indicated the budget was not approved until August 9, 2019 which is after the deadline.

**2019-008 (2018-001) Late Audit Contract - Compliance and Internal Control - Other Matters**

**Condition**

The IPA recommendation and audit contract was not received by the Office of the State Auditor (NMOSA) by the required due date of May 15, 2019. The District did not submit the auditor recommendation to NMOSA until June 25, 2019.

**Management has not made progress resolving this issue.**

**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, 2019.

**Cause**

Manager uploaded audit April 4, 2019, but OSA's site did not upload it. An email was sent to OSA regarding this on June 25th, and OSA stated they would approve it.

**Effect**

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

**Recommendation**

Due dates should be added to a reminder calendar to avoid missed deadlines.

**Response**

We do not agree with this finding.

**Responsible Position**

District Manager

**Timeline**

June 20, 2020

**Auditor's Rebuttal**

The New Mexico State Auditor (OSA) approval letter was received June 26, 2019. We reviewed an email to the District from the OSA dated June 25, 2019 stating the OSA had received the IPA recommendation and contract that morning. June 25th is well after the May 15th due date.

**2019-009 Anti-Donation Clause - Compliance and Internal Control - Other Matter**

**Condition**

We found multiple payment for flowers, for example one was for flowers for a funeral in Tucson, AZ.

**Criteria**

Under the Anti-Donation Clause of the New Mexico Constitution (Art. 9, §14; more on this law below), it is illegal for the District's employees to use public money to procure and give gifts.

**Cause**

Management was unaware flowers could not be purchased with public funds.

**Effect**

Public funds were used inappropriately that could have been used for conservation activities.

**Recommendation**

Management should not spend money in violation of the Anti-Donation Clause.

**Response**

We do not agree with this finding.

**Responsible Parties**

Board of Supervisors

**Timeline**

January 31, 2020

**Auditor's Rebuttal**

The Anti-Donation Clause prohibits purchases of gifts and flowers are considered a gift.

**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 in closed session on December 5, 2019. Those present were David King-Chairperson, Lewis Fisher-Vice Chairperson, Bill King-Secretary/Treasurer, Juan Sanchez-Supervisor, Bill Williams-Supervisor, Christina Allday-Bondy, Brenda Smythe-District Manager, and De'Aun Willoughby, CPA.