



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER
CONSERVATION DISTRICT**

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
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For the Year Ended June 30, 2015

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STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
OFFICIAL ROSTER
As of June 30, 2015

Board of Supervisors	Position	Elected/Appointed
David King	Chairperson	Elected
Lewis Fisher	Vice-Chairperson	Elected
Bill King	Secretary/Treasurer	Elected
Mark Anaya	Member	Elected
Bill Williams	Member	Elected
Art Swenka	Member	Appointed
Juan Sanchez	Member	Appointed

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



INDEPENDENT AUDITOR’S REPORT

Mr. David King, Chair and Members of the Board of Supervisors
Edgewood Soil and Water Conservation District
Moriarty, New Mexico
and Mr. Tim Keller, State Auditor of New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund and the budgetary comparison of the general fund of the Edgewood Soil and Water Conservation District (District) as of and for the year ended June 30, 2015 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 design, implementation, and maintenance of internal control relevant to 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District, as of June 30, 2015, and the respective changes in financial position, 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.

Emphasis of Matter

As discussed in Note M to the financial statements, the 2015 beginning balance of net position has been restated due to the implementation of GASB 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedules related to PERA and Net Pension Liabilities, listed in the table of contents, as "*Required Supplemental Information*" 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 Information

Our audit was conducted for the purpose of forming opinions on the Districts' financial statements and the budgetary comparison. The *other schedules listed as "other supplementary information" in the table of contents, required by 2.2.2 NMAC*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The "*Schedule of Vendor Information*" listed as "*Other Supplementary Information (unaudited)*" in the table of contents, required by 2.2.2 NMAC, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2015 on our consideration of the District's internal control over financial reporting and 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 *Governmental Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Hinkle & Landers, P.C." in a cursive, script font.

Hinkle + Landers, P.C.
Albuquerque, NM
November 25, 2015

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
GOVERNMENT-WIDE STATEMENT OF NET POSITION
As of June 30, 2015

	<u>Governmental Activities</u>
Assets	
Current	
Cash, equivalents and investments	\$ 169,158
Taxes receivable	76,833
Inventory	13,866
Total current assets	<u>259,857</u>
Non current	
Capital assets, not being depreciated	606,511
Capital assets being depreciated, net	550,534
Capital assets, net of accumulated depreciation	<u>1,157,045</u>
Total assets	<u>1,416,902</u>
Deferred outflows of resources	
Pension deferral	16,196
Total assets and deferred outflows of resources	<u>\$ 1,433,098</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 429
Accrued payroll	4,218
Compensated absences	10,136
Note payable - current portion	21,171
Total current liabilities	<u>35,954</u>
Long-term liabilities	
Note payable	241,259
Compensated absences - long term portion	-
Net pension liability	62,409
Total long-term liabilities	<u>303,668</u>
Total liabilities	<u>339,622</u>
Deferred inflows of resources	
Pension deferral	24,492
Total deferred outflows of resources	<u>24,492</u>
Net position	
Net investment in capital assets	894,615
Restricted	8,924
Unrestricted	165,445
Total net position	<u>1,068,984</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,433,098</u>

See accompanying independent auditor's report and notes to financial statements.

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Program Expenses	Governmental Activities
Conservation:	
Building expense	\$ 38,477
Conservation	238,796
Contract services	19,266
Dues and subscriptions	574
Insurance	22,981
Meetings	19,093
Miscellaneous	718
Office expense	31,378
Payroll and benefits	114,997
Professional fees	19,995
Interest	7,148
Travel and fuel	20,195
Depreciation	29,085
Total program expenses	562,703
 Program Revenues	
Conservation sale items	12,214
Rent	7,920
Other	632
Total program revenues	20,766
Net program (expense) revenue and changes in net position	(541,937)
 General Revenues	
Property taxes	373,100
Appropriations	14,741
Grants	99,311
Interest	133
Total general revenues	487,285
Change in net position	(54,652)
Net position at beginning of year	1,207,933
Restatement	(84,297)
Net position at beginning of year, restated	1,123,636
Net position at end of year	\$ 1,068,984

See accompanying independent auditor's report and notes to financial statements.

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2015

		General Fund
Assets		
Cash and investments	\$	169,158
Property taxes receivable		76,833
Inventory		13,866
Total assets	\$	259,857
 Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$	429
Accrued payroll		4,218
Total liabilities		4,647
Deferred inflows of resources		64,565
 Fund balance:		
Non-spendable - inventory		13,866
Restricted		8,924
Unassigned		167,855
Total fund balance		190,645
Total liabilities and fund balance	\$	259,857
 Reconciliation of the Governmental Funds Balance to Statement of Net Position		
Total fund balance governmental funds	\$	190,645
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds		1,157,045
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		16,196
Other current liabilities (notes payable) are not current period expenses but will be paid in a future period.		(21,171)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet:		
Notes payable		(241,259)
Compensated absences		(10,136)
Net pension liability		(62,409)
Pension related deferrals		(24,492)
Some revenue is deferred in the funds but accrued as revenue in the government-wide statements and added to net position.		64,565
Rounding		-
Net position of governmental activities	\$	1,068,984

See accompanying independent auditor's report and notes to financial statements.

**STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015**

	<u>General Fund</u>
Revenues	
Property taxes	\$ 373,433
Conservation sale items	12,214
Appropriations	14,741
Rent	7,920
Grants	99,311
Other	632
Interest	133
Total revenues	508,384
Expenditures	
Current- Conservation:	
Building expense	38,477
Conservation	238,796
Contract services	19,266
Dues and subscriptions	574
Insurance	22,981
Meetings	19,093
Miscellaneous	718
Office expense	31,378
Payroll and benefits	128,842
Travel and fuel	20,195
Professional services	19,995
Non-current	
Debt Service	
Principal payments - debt service	20,638
Interest payments - debt service	7,148
Capital outlay	-
Total expenditures	568,101
Excess (deficiency) of revenues over expenditures before other financing sources	(59,717)
Other financing sources - None	-
Net change in fund balance	(59,717)
Fund balance beginning of year	250,362
Fund balance end of year	\$ 190,645

**Reconciliation of statement of revenues, expenditures and changes in fund balances of
governmental funds to statement of activities:**

Net change in fund balance - Governmental Funds	\$ (59,717)
Amounts reported in Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the	
Depreciation expense	(29,085)
Capital outlay included as additions in capital assets	-
Some expenses reported in the statement of activities do not require the use of current financial	
Pension expense	13,592
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
The (increase) decrease is compensated absences is included in the statement of activities.	253
Principal payments on notes payable included in governmental funds but not in the statement of	20,638
Some items reported in the statement of activities do not require the use of current financial resources	(334)
Rounding	1
Change in net position - Statement of Activities	\$ (54,652)

See accompanying independent auditor's report and notes to financial statements.

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
For the Year Ended June 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 390,000	390,000	373,433	(16,567)
Grants	120,000	120,000	99,311	(20,689)
Other	-	-	632	632
Conservation sale items	30,000	30,000	12,214	(17,786)
Rent	7,200	7,200	7,920	720
Water trust board	19,550	19,550	-	(19,550)
Appropriations	13,000	13,000	14,741	1,741
Interest	300	300	133	(167)
Total revenues	580,050	580,050	508,384	(71,666)
Expenditures				
Current				
Conservation	\$ 220,000	220,000	238,796	(18,796)
Payroll and benefits	134,800	134,800	128,842	5,958
Building expense	44,000	44,000	38,477	5,523
Office expense	28,000	28,000	31,378	(3,378)
Miscellaneous	768	768	718	50
Meetings	20,000	20,000	19,093	907
Contract services	17,200	17,200	19,266	(2,066)
Travel and fuel	30,000	30,000	20,195	9,805
Insurance	21,500	21,500	22,981	(1,481)
Dues and subscriptions	3,000	3,000	574	2,426
Professional services	33,000	33,000	19,995	13,005
Capital outlay	-	-	-	-
Debt service				
Principal payments - debt service	20,638	20,638	20,638	-
Interest payments - debt service	7,144	7,144	7,148	(4)
Total expenditures	\$ 580,050	580,050	568,101	11,949
Excess (deficiency) of revenues over (under) expenditures			\$ (59,717)	

Reconciliation of Non-GAAP Budget to GAAP

To adjust applicable revenue accruals	-
To adjust applicable expenditure accruals	-
Change in fund balance (GAAP Basis)	\$ (59,717)

See accompanying independent auditor's report and notes to financial statements.

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

NATURE OF BUSINESS AND 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 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). The District, a phase three government, was required to implement GASB Statement 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* in fiscal year 2004. To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basic Financial Statements – GASB Statement No. 34

The financial statements of the District have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Governmental Account Standards Board (GASB) is the accepted Standard-setting body for establishing governmental Accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the District's accounting policies are described below.

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

General Revenues (General Fund appropriation, transfers-in from other state agencies, Federal aid, etc.) normally cover the net cost (by function). Historically, the previous model did not summarize or present net cost by function or activity.

This government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous accounting model.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the District's actual experience conforms to the budget of fiscal plan. Since the governmental fund statements are presented on a different focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements in to the governmental column on the government-wide presentation.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with specific function or segment. *Program revenues* derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry as a whole and include operating grants and contracts that are restricted to meeting the operational necessities of a particular compliance grant requirement. The District allocates its indirect costs to each of its programs based on an indirect cost allocation plan.

2. Basis of Presentation

The financial transactions of the District are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows and deferred outflows, fund balance, revenues, expenditures and other financing sources or uses.

Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by the type and reported by generic classification the accompanying financial statements.

GASB Statement No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, deferred outflows, liabilities, deferred inflows, revenues or expenditures. The general fund is always considered a major fund. The District has only one fund, which is the General Fund.

GASB Statement 54

In February 2009 GASB issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. GASB 54 also clarifies governmental fund type definitions.

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

The fund balance amounts for governmental funds included in this report have been reclassified in accordance with GASB 54. As a result, in the governmental fund financial statements, fund balances previously reported as reserved and unreserved are now reported according to a hierarchy of classifications established in GASB 54, which are based on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in that fund can be spent.

GASB 54 fund balance classifications include:

- Non-spendable** – amounts cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact;
- Restricted** – amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation;
- Committed** – amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature and the Executive branches;
- Assigned** – constrained by the government’s intent to be used for specific purposes;
- Unassigned** – the residual classification for remaining amounts after all other classifications have been considered.

Net Position

The government-wide financial statements utilize a net position presentation. Net Position is categorized as: *Investment in capital assets* (net of related debt), *restricted* and *unrestricted*. *Investment in Capital Assets* (net of related debt) is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position reflects the portion of net position that has third party limitations on their use. *Unrestricted (Deficit) Net Position* represents net position of the District that is not restricted for any project or other purpose.

Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment, which may be based on actions such as analyzing the legislation to determine if it meets the qualifying criteria for enabling legislation, reviewing determinations made for similar legislation of the government or other governments, or obtaining the opinion of legal counsel. However, enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur. The determination of legal enforceability should be based on the underlying facts and circumstances surrounding each individual restriction. The determination that a particular restriction is not legally enforceable may lead a government to reevaluate the legal enforceability of similar enabling legislation restrictions, but should not necessarily lead a government to conclude that all enabling legislation restrictions are unenforceable.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources,

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then.

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applied to a future period and so will not be recognized until then. The District has the following deferred inflows of resources during fiscal year 2015 on the fund financials: \$64,565 related to deferred revenue that was not available to the District in 60 days after year end.

3. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The statement of net position and the statement of activities are prepared 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 the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. By definition, the resources of fiduciary funds are not available to support District programs. Therefore, fiduciary funds are excluded from the government-wide financial statements.

All governmental funds are accounted for using the *modified accrual basis* of accounting and the *current financial resources measurement focus*. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which is considered to be within sixty days of year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, which was also adopted as of July 1, 2001 by the District, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met, resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

4. Governmental Funds

General Fund—The general operating fund of the District is used to account for all financial resources.

5. Inventory

Inventory consisting primarily of materials and supplies held for consumption on a first-in, first-out basis. They are reported at cost, which is recorded as an expenditure at the time the individual inventory items are used.

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

6. Cash, Equivalents and Investments

The District's cash and cash equivalents are considered to be demand deposits and short term investments (certificates of deposit) with original maturities of three months or less are presented as investments in the financial statements.

State statutes authorize the District to invest in obligations of the U.S. Treasury, repurchase agreements, and certificates of deposit. Investments for the government, if applicable, are reported at fair value.

7. Taxes Receivable

The District receives mill-levy property tax revenue from the counties of Bernalillo, Santa Fe, and Tarrant. The taxes are collected by the respective county treasurer and are paid to the District monthly; all are deemed collectible therefore, no allowance for doubtful accounts is recorded.

8. Accounts Payable

The District's accounts payable represent routine monthly bills for services rendered and products purchased which are paid in the following month.

9. Capital Assets

Capital assets, which include property, equipment and software, 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	39 years
Equipment	5-14 years
Land	Perpetual

10. 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, 2015, 2015 was \$10,136.

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.

11. 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

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

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. Encumbrance accounting is not utilized by the District.

B. Cash, Equivalents and Investments

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2015.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial statements.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred per cent of the asked price on United States treasury bills of the same maturity on the day of deposits.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States Government, or by their departments or agencies, and which are either direct obligations of the State or United States or are backed by the full faith and credit of those governments.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, authority or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Noninterest bearing transaction accounts, time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate.

No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Shares Insurance Fund (NCUSIF) according to Section 6-10-16 NMSA 1978.

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank

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failure, the District's deposits may not be returned. The District has no formal policy on managing custodial credit risk other than following the state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

State law limits investments to United States Government obligations, commercial paper with A-1 or better ratings, corporate bonds with a BBB+ or better ratings, asset backed obligations with an AAA or better rating, or repurchase agreements.

Additionally the District has an account restricted for debt service which is managed by the New Mexico Finance Authority (NMFA), and is on deposit with the State Treasurer's office in the name of NMFA for the benefit of the district.

State of New Mexico Statues require collateral for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution, the amount of which is considered uninsured and the collateral is held by pledging bank's trust department in the Bank's name. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

As of June 30, 2015, 2015 the District's total carrying amount of deposits was \$169,158. The bank balances were fully insured by federal depository insurance throughout the year. The locations and amounts deposited at each of the financial institutions at June 30, 2015, 2015 are as follow:

	Wells Fargo	US		Book
	Bank	Bank	NMFA	Balance
Demand deposits per bank	\$ 177,117	4,048	-	135,292
Debt service reserves	-	-	8,924	8,924
Total amount on deposit	177,117	4,048	8,924	144,216
Less: FDIC insurance	(177,117)	(4,048)	N/A	
Uninsured balance	\$ -	-	-	
Total uninsured balance	\$ -	-	-	
Security requirement (6-10-17 NMSA)	50%	50%	N/A	
Total security required	-	-	-	
Total security pledged at market value	-	-	-	
Collateral security excess (deficiency)	\$ -	-	-	

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributable to the magnitude of the District's investment in a single issuer. The District has no formal policy limiting the amount of investments or deposits at any single institution or with any single issuer, but is not susceptible to concentration credit risk.

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NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015**

Investments

As of June 30, 2015, the District has the following investments:

	Wells Fargo	Western	Book
	Bank	Commerce	Balance
	Bank	Bank	Balance
Certificates of deposit	\$ 5,000	19,942	<u>24,942</u>
Total amount on deposit	5,000	19,942	
Less: FDIC insurance	(5,000)	(19,994)	
Uninsured balance	<u>\$ -</u>	<u>-</u>	
Total uninsured balance	\$ -	-	
Security requirement (6-10-17 NMSA)	<u>50%</u>	<u>50%</u>	
Total security required	-	-	
Total security pledged at market value	-	-	
Collateral security excess (deficiency)	<u>\$ -</u>	<u>-</u>	

Wells Fargo Bank

State of New Mexico Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one-half of the amount of deposit with the institution, the amount of which is considered uninsured and the collateral is held by the pledging bank's trust department in the Bank's name. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

	Wells Fargo
	Bank
Demand deposits per bank	\$ 177,117
Certificates of deposit	<u>5,000</u>
Total amount on deposit	182,117
Less: FDIC insurance	<u>(182,117)</u>
Uninsured balance	<u>\$ -</u>
Total uninsured balance	\$ -
Security requirement (6-10-17 NMSA)	<u>50%</u>
Total security required	-
Total security pledged at market value	-
Collateral security excess (deficiency)	<u>\$ -</u>

Credit quality risk: This is the risk related to the credit worthiness of the institution. The District's investments in Wells Fargo Bank are unrated.

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Custodial credit risk: This is the risk that in the event of the failure of the bank, the District will not be able to recover the value of its investment.

The District is exposed to custodial credit risk as follows:

		Wells Fargo Bank
		<hr/>
Demand deposits per bank	\$	177,117
Certificates of deposit		5,000
		<hr/>
Total amount on deposit		182,117
Less: FDIC insurance		(182,117)
		<hr/>
Uninsured balance		-
Total security pledged at market value		-
		<hr/>
Total uninsured and uncollateralized	\$	<u><u>-</u></u>

Western Commerce Bank

State of New Mexico Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one-half of the amount of deposit with the institution, the amount of which is considered uninsured and the collateral is held by the pledging bank's trust department in the Bank's name. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

		Western Commerce Bank
		<hr/>
Demand deposits per bank	\$	-
Certificates of deposit		19,994
		<hr/>
Total amount on deposit		19,994
Less: FDIC insurance		(19,994)
		<hr/>
Uninsured balance	\$	<u><u>-</u></u>
Total uninsured balance	\$	-
Security requirement (6-10-17 NMSA)		50%
		<hr/>
Total security required		-
Total security pledged at market value		-
		<hr/>
Collateral security excess (deficiency)	\$	<u><u>-</u></u>

Credit quality risk: This is the risk related to the credit worthiness of the institution. The District's investments in Wells Fargo Bank are unrated.

Custodial credit risk: This is the risk that in the event of the failure of the bank, the District will not be able to recover the value of its investment.

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The District is exposed to custodial credit risk as follows:

		Western Commerce Bank
	\$	<u> </u>
Demand deposits per bank	\$	-
Certificates of deposit		<u>19,994</u>
Total amount on deposit		19,994
Less: FDIC insurance		<u>(19,994)</u>
Uninsured balance		-
Total security pledged at market value		<u> </u>
Total uninsured and uncollateralized	\$	<u> </u>

Interest rate risk: This is the risk that changes in market interest will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investment maturities for the District's Wells Fargo and Western Commerce Bank accounts are one year or less.

Concentration of credit risk: This is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The District does not have a formal investment policy that limits investments in a single issuer. The District is exposed to concentration credit risk as noted in custodial credit risk.

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STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

C. Capital Assets

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

Description	2014	Additions	Deletions	2015
Capital assets not being depreciated				
Land	\$ 606,511	-	-	606,511
Total capital assets not being depreciated	\$ 606,511	-	-	606,511
Capital assets being depreciated				
Building	\$ 683,763	-	-	683,763
Equipment	119,669	-	-	119,669
Vehicles	49,947	-	-	49,947
Total capital assets being depreciated	853,379	-	-	853,379
Total capital assets	\$ 1,459,890	-	-	1,459,890
Less accumulated depreciation for:				
Building	\$ (141,591)	(17,658)	-	(159,249)
Equipment	(89,899)	(7,589)	-	(97,488)
Vehicles	(42,270)	(3,838)	-	(46,108)
Total accumulated depreciation	(273,760)	(29,085)	-	(302,845)
Capital assets, net	\$ 1,186,130	(29,085)	-	1,157,045

Depreciation for the year ended June 30, 2015 was \$29,085.

D. Long-Term Debt

Long-term debt activity for the year ended June 30, 2015 was as follows:

Description	Balance 2014	Additions	Deletions	Restatement	Balance 2015	Due Within One Year
NMFA Mortgage	\$ 283,068	-	(20,638)	-	262,430	21,171
Compensated Absences	10,389	9,343	(9,596)	-	10,136	10,136
Net Pension Liability	-	5,908	(27,796)	84,297	62,409	-
	\$ 293,457	15,251	(58,030)	84,297	334,975	31,307

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, 2015 was \$262,430.

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Minimum principal payments are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$	21,171	6,616	27,787
2017		21,651	6,137	27,788
2018		22,156	5,634	27,790
2019		22,685	5,106	27,791
2020		23,239	4,553	27,792
2021-2025		125,513	13,437	138,950
2026		26,015	635	26,650
	\$	<u>262,430</u>	<u>42,118</u>	<u>304,548</u>

The interest expense for the year ended June 30, 2015 was \$7,148.

Debt service payments for the NMFA mortgage payable and compensated absences will be liquidated by the general fund.

E. Operating Lease Commitments

During 2011, the District entered into a 60 month lease commitment on a Toshiba copier. The current monthly rental is \$292. Approximately \$3,580 was expended in the current fiscal year.

As of June 30, 2015 future minimum lease payments for copier for the following fiscal years is as follows:

2016	\$	4,356
2017		-
2018		-
2019		-
2020		-
	\$	<u>4,356</u>

F. Net Position

The District's net position as of June 30, 2015 consisted of \$894,615 (\$1,157,045 – \$262,430) net investment in capital assets and \$8,924 restricted for debt service.

G. Cost - Share Program

In June 2001 the District implemented a cost-share program that the District will fund on its own. The purpose of the program is to share the cost of conservation projects with farms, ranches and urban stewardship projects on small acreages and will also provide cost share for other projects within the District. The District will share up to 75% of the cost of a conservation project depending on the type of project and criteria established for farms, ranches and urban stewardship projects. The District will share up to 75% of the cost for brush removal.

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H. Pension Plan – Public Employees Retirement Association

Plan Description. Substantially all of the District's full time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides retirement, disability and survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at <http://www.pera.state.nm.us>.

Funding Policy. Plan members are required to contribute 8.50% of their gross salary. The District is required to contribute 7.40% of the gross salary. The District has elected to pay the plan members share of their contributions. The contribution requirements of plan members and the District are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the year ended June 30, 2015, 2014, and 2013 are \$16,196, \$13,103 and \$11,638 respectively, which equal to the amount of required contributions each fiscal year.

I. Pension Plan and Post-Employment Benefits

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

PERA issues a publicly available financial report and a comprehensive annual financial report

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NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Contributions. The contribution requirements of defined benefit plan members and District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage option that applies to District is: Municipal General Division. Statutorily required contributions to the pension plan from District were \$6,930 and employer paid member benefits that were “picked up” by the employer were \$9,265 for the year ended June 30, 2015.

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

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The District’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division; Municipal General Division, at June 30, 2015, the District reported a liability of \$62,409 for its proportionate share of the net pension liability. At June 30, 2014, the District’s proportion was 0.01 percent, which was unchanged from its proportion

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NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the District recognized PERA Fund Division; Municipal General Division pension expense of \$16,196. At June 30, 2015, the District reported PERA Fund Division; Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

<u>Municipal General Division</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	-
Changes of assumptions	-	42
Net difference between projected and actual earnings on pension plan investments	-	24,450
Change in proportion and differences between Edgewood contributions and proportionate share of contributions	-	-
Edgewood contributions subsequent to the measurement date	16,196	-
Total	<u>\$ 16,196</u>	<u>24,492</u>

\$16,196 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2016	\$ 6,114
2017	6,114
2018	6,114
2019	6,150
2020	-
Thereafter	-
	<u>24,492</u>

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	7.75% annual rate, net of investment expense
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate

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

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

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the District's net pension liability in each Page 7 PERA Fund Division that the District participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

<u>PERA Fund Division - Municipal General Division</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Edgewood's proportionate share of the net pension liability	\$ <u>117,654</u>	\$ <u>62,409</u>	\$ <u>19,729</u>

Pension plan fiduciary net position. Detailed information about the pension plan's

**STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015**

fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

J. Other Employee Benefits

As of June 30, 2015, the District's employees are not offered a deferred compensation plan or any post-employment benefits.

K. 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

- Uninsured Motorist for each accident and in the aggregate:\$1,000,000
- Errors and omissions liability policy

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 surety bond on behalf of persons responsible for District assets. The District currently maintains a \$5,000 surety bond as well as commercial property coverage and auto insurance. The District has not sustained any losses during the past several years and is not a defendant in any lawsuit.

L. Other Financing Sources

The District has no other financing sources for the year ended June 30, 2015.

M. Restatement

The District has elected to implement GASB 68. Therefore, a restatement of the organizations' beginning balance of net position is required as follows:

Government-Wide Financial Statements	
Purpose/Reason	Amount
Net position at beginning of year	\$ 1,207,933
Implemenation of GASB 68 and related pension liability	(84,297)
Net position at beginning of year, restated	\$ 1,123,636

**STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION;
MUNICIPAL GENERAL DIVISION
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
Last 10 Fiscal Years***

		2015
The Edgewood's proportion of the net pension liability (asset) (%)		0.01%
The Edgewood's proportionate share of the net pension liability (asset) (\$)	\$	62,409
The Edgewood's covered-employee payroll	\$	93,155
The Edgewood's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		67%
Plan fiduciary net position as a percentage of the total pension liability		81.29%

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

Notes to Required PERA Supplementary Information

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

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

**STATE OF NEW MEXICO
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SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND DIVISION; MUNICIPAL GENERAL DIVISION
Last 10 Fiscal Years***

	2015
Contractually required contribution	\$ 16,196
Contributions in relation to the contractually required contribution	16,196
Contribution deficiency (excess)	\$ -
Edgewood's covered-employee payroll	\$ 93,155
Contributions as a percentage of covered-employee payroll	17.39%

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

Notes to Required PERA Supplementary Information

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

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

STATE OF NEW MEXICO
 EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
 SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
 For The Year Ended June 30, 2015

#	RFB#/RFP# / State-Wide Price Agreement #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address of ALL Vendor(s) that responded	In-State/ Out-of State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor instate and chose Veteran's preference (Y or N)	Brief Description of the Scope of Work
1	None								
2									
3									
4									
5									
6									
7									
8									
9									
10									

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

Mr. David King, Chair and Members of the Board of Supervisors
Edgewood Soil and Water Conservation District
Moriarty, New Mexico
and Mr. Tim Keller, State Auditor of New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund and the budgetary comparison of the general fund, of Edgewood Soil and Water Conservation District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise District's basic financial statements and have issued our report thereon dated November 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 of the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying *schedule of findings and responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weaknesses: 2012-005.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2014-001 and 2015-001.

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 instances 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 item 2014-001.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's responses and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hinkle + Landers, P.C.
Albuquerque, NM
November 25, 2015

**STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2015**

Reference #	Finding	Status of Prior Year Findings	Type of Finding*
PRIOR YEAR			
2012-002	Employment of Contractors	Resolved	B
2012-005	Lack of Controls Over Financial Reporting	Repeated	A
2014-001	Internal Control: Reconciling/Monitoring PERA	Repeated	B, D
CURRENT YEAR			
2015-001	Bank Reconciliation Report Review	Current	B

*** Legend for Type of Finding**

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Compliance with State Audit Rule

2012-005—Financial Reporting and Reporting

Type of Finding: A

Statement of Condition

During the year ended June 30, 2015, the audit resulted in adjustments to receivables \$1,564, inventory \$1,868, net adjustment to accounts payable of \$7,928, debt \$7,148 and depreciation expense \$29,085. Also, other adjustments related to cash balances and other accounts that were made by the District once they were identified by the auditors. Progress of corrective plan from prior year is not determinable.

Criteria

According to Statement of Auditing Standards (SAS) 115, identification by the auditor of a material misstatement of the financial statements under audit, in circumstances that indicate that the misstatement would not have been detected by the entity's internal control is considered a material weakness. Some of the key underlying concepts of SAS 115 include:

- The auditor cannot be part of a client's internal control because becoming part of a client's internal control impairs auditor independence;
- The auditor's work is independent of the client's internal control over financial reporting, and the auditor cannot be a compensating control for the client; and
- A system of internal control over the financial reporting does not stop at the general ledger – it includes controls over the presentation of the financial statements.

Recording adjustments is considered a significant process of internal control and should be performed by District staff. The District's system of internal control should include controls over financial statement preparation, including footnote disclosure.

**STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2015**

Effect

An internal control weakness in maintaining the general ledger exists because material adjustments were identified by the auditor and not by District staff. As a result, periodic financial statements reviewed by management and the governing body may be materially inaccurate. Insufficient controls over the preparation of financial statements and related disclosures limits the District's ability to prevent or detect a misstatement in its financial statements.

Cause

Internal control procedures were not effective in identifying and correcting material errors. The District does not have the personnel or time to prepare the financial statements and related disclosures.

Recommendation

We recommend that the District make adjustments to their general ledger in a timely manner including receivables, inventory, payables, accrued liabilities and depreciation expense.

Management Response

The financial statements are being properly closed on a monthly basis by our contracted CPA firm and reviewed by the District Manager as well as the Board of Supervisors, who are reviewing the financial statements and bank reconciliations for proper completion during the board meetings. These processes have been implemented as of September 25, 2015.

2014-001 – Internal Control: Reconciling/Monitoring PERA Payments

Type of Finding: B, D

Statement of Condition

The District is not reconciling payroll to remittances to Public Employees Retirement Act (PERA) in a timely manner. The District is not ensuring 100 per cent of the payroll is being reported to PERA. Payments for May and June 2015 were not made until July 2015.

Criteria

For Public Employees Retirement Act (Sections 10-11-1 to 10-11-141 NMSA 1978) members are required to report 100 per cent of its payroll according to state audit compliance requirement Subsection G (7) of NMAC 2.2.10.

Effect

Without ensuring the proper amount is remitted to PERA could lead to potential overpayment or under payment which in turn could lead to late penalty fees and improper allocations to participants.

Cause

The District has not implemented this control procedure.

Recommendation

The District should ensure PERA payments are reconciled each pay period to ensure the payment remitted is correct and the payroll reported to PERA is accurate.

Management's Response

The District Manager has scheduled pre-payments to ensure proper and timely payment of PERA

**STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2015**

contributions. The reconciliations of the on-line at PERA contributions were completed late due to notifications not being delivered to the correct contact person. All reconciliations are complete and up-to-date as of November 2015. Monthly reviews of on-line reconciliations is now being completed by the District Manager to ensure payments are correct and payroll reported to PERA is accurate.

2015-001—Bank Reconciliation Report Review

Type of Finding: B

Statement of Condition

A designated board member of the Edgewood Soil & Water Conservation District (the District) reviews the bank statement activity in detail and signs off on the bank statements after doing so, but the bank reconciliations reports for all of the Districts cash and cash equivalents are not timely reviewed.

Criteria

The NMSA 2.20.5.8 Accounting by Governmental entities, Responsibility for Accounting Function requires that cash account records are reconciled timely each month to the division's reports and to the state treasurer's reports. Effective internal controls and procedures require timely and accurate reconciliation to ensure cash transactions completely and accurately recorded in general ledger. Once the cash reconciliation has been performed it must be signed and dated to provide proof the account was actually reconciled.

Cause

The District reviews activity from the bank statements as an effective cash control and the extra step of reviewing the bank reconciliation report was not considered necessary.

Effect

There is the risk that deposits in transit and outstanding disbursements are not adequately reviewed and that the cash and cash equivalent accounts will not reconcile to the District's general ledger.

Recommendation

We recommend the District review all bank and investment reconciliation reports and as a result of the reviews, sign off on all bank and investment reconciliation reports. This should include bank accounts, CD accounts, the NMFA cash account and any other cash and investment accounts.

Management Response

It is important to emphasize that the Board of Supervisors review every check at each meeting and the review of the bank statements is the approved in each board meeting and memorialized in the board meeting minutes.

The board has also taken the extra step of hiring an internal auditor and an external CPA firm to for bookkeeping auditor to ensure accuracy. The Board of Supervisors has also reviewed for two years a process of reviewing and signing off on bank statements. The Board of Supervisors will add the review and sign the Bank reconciliation reports to this process. This will completed by a designated member of the Board of Supervisors and is already corrected.

STATE OF NEW MEXICO
EDGEWOOD SOIL AND WATER CONSERVATION DISTRICT
EXIT CONFERENCE
For the Year Ended June 30, 2015

An exit conference was held in a closed session on November 25, 2015, at the District's offices in Moriarty, New Mexico. In attendance were the following:

Representing ESWCD

David W. King	Chairman
Lewis Fisher	Vice-chair
Bill King	Secretary/Treasurer
Brenda Smythe	District Manager
Ben Montoya	Internal Auditor

Representing Hinkle + Landers, P.C.

Farley Vener, CPA, CFE	Independent Auditor
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FINANCIAL STATEMENTS

The financial statements of the District as of June 30, 2015, were substantially prepared by Hinkle + Landers, P.C.; however, the financial statements are the responsibility of the District's management.