

**State of New Mexico  
Sierra Soil and Water Conservation District**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

**Year Ended June 30, 2016**

Dan Austin CPA, PC  
700 Mechem Drive Ste. 15  
Ruidoso, NM 88345

**STATE OF NEW MEXICO  
SIERRA SOIL AND  
WATER CONSERVATION DISTRICT  
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June 30, 2016**

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**STATE OF NEW MEXICO  
SIERRA SOIL AND  
WATER CONSERVATION DISTRICT  
Official Roster  
June 30, 2016**

**Board of Supervisors**

Willard Hall  
Steve Janos  
Ken James  
Jennie Bienner  
Randy Coil  
Ronnie Wolf

Chairman  
Vice Chairman  
Treasurer  
Supervisor  
Supervisor  
Supervisor

**Staff**

Merry Jo Fahl  
Crystal Diamond

District Manager 7-1-15 to 12-31-15  
District Manager Effective 1-1-16

**Dan Austin CPA, PC  
700 Mechem Drive Ste. 15  
Ruidoso, NM 88345  
505-257-0081**

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

Willard Hall, Chairman and  
The Board of Supervisors  
Sierra Soil and Water Conservation District  
and Honorable Tim Keller, New Mexico State Auditor

We have performed the procedures enumerated below for the Sierra Soil and Water Conservation District (SSWCD), for the year ended June 30, 2016. The SSWCD was determined to be a **Tier 6** entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the SSWCD through the Office of the New Mexico State Auditor. The Sierra Soil and Water Conservation District's management is responsible for the organization's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

**1. Revenue Calculation**

Procedures: Verify the local public body's revenue calculation and tier determination.

Findings: The District's Tiered Reporting calculation was properly determined.

**2. Cash**

Procedures:

- (a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.
- (b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division (DFA-LGD).
- (c) Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

**Findings:**

The SSWCD has four bank accounts and utilizes Quickbooks to record transactions. All bank reconciliations are performed within days of receiving the bank statements and all were complete and on-hand. The SSWCD also had two accounts with the New Mexico Finance Authority.

Random tests of bank reconciliations revealed that the reconciliations were accurate and agreed with supporting documentation and with the quarterly financial reports submitted to DFA-LGD. All uninsured deposits were secured per requirements of Section 6-10-17 NMSA 1978. No exceptions noted.

**3. Capital Assets**

**Procedures:**

Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA1978.

**Findings:**

The SSWCD performed a yearly inventory as required by Section 12-6-10 NMSA 1978 and maintains a capital asset listing and all depreciation schedules were examined. No exceptions noted.

**4. Debt**

**Procedures:**

Review debt agreements and verify that all payments were made per made and reserve requirements were in compliance with agreements.

**Findings:**

We reviewed the debt agreements of Sierra Soil and Water Conservation District. We verified that all required payments were made during the year and that Sierra Soil and Water Conservation District is in compliance with all reserve requirements. No exceptions noted.

**5. Revenue**

**Procedures:**

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

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

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

- (b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- (c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

**Findings:**

Analytical review and test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions. We tested 80% of revenues amounts recorded in Quickbooks. All amounts recorded agreed with supporting documentation and the amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation. No exceptions noted.

**6. Expenditures**

**Procedures:**

Select a sample of cash disbursements based on judgment for the following attributes:

- (a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- (b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- (c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

**Findings:**

We tested 80% of the amounts recorded as disbursed and agreed with supporting documentation, amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and cancelled check, as appropriate. No exceptions noted.

All disbursements tested were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. No exceptions noted.

The bid process (or request for proposal process, if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC ) were tested when applicable. No exceptions noted.

## **7. Journal Entries**

### **Procedures:**

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- (a) Journal entries appear reasonable and have supporting documentation.
- (b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

### **Findings:**

The financial records of Sierra Soil and Water Conservation District indicated that journal entries were posted to the general ledger and prepared by outside accounting firm and approved by District staff. All journal entries appeared reasonable. No exceptions noted.

## **8. Budget**

### **Procedures:**

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- (a) Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.
- (b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.
- (c) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures - budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

### **Findings:**

A review of the minutes revealed that the original budget was approved by the SSWCD and the DFA-LGD. The subsequent budget adjustments which were approved by the DFA-LGD. No exceptions noted.

Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control. No exceptions noted.

A schedule of revenues and expenditures - budget and actual was prepared on the cash budgetary basis used by the SSWCD. See pages 9-10.

## 9. Capital Outlay Appropriations

### Procedures:

- (a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify the amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- (b) Determine that the cash disbursements were properly authorized and approved in accordance with budget, legal requirements and established policies and procedures.
- (c) Determine that the bid process, purchase orders, contracts and agreements were processed in accordance with New Mexico Procurement Code and State Purchasing Regulations.
- (d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- (e) Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with general ledger and other supporting documentation.
- (f) If the project was funded in advance, determine if the award balance and cash balance appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- (g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.
- (h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- (i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

### Findings:

We have examined the records for all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year and found none.



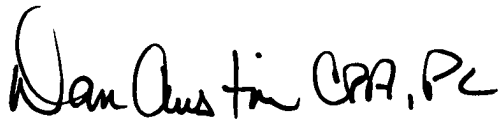
## 10. Other Procedures

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose in the report as required by Section, 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10 (l) (3) (C)NMAC.

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

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

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

A handwritten signature in black ink that reads "Dan Austin CPA, PC". The signature is written in a cursive, flowing style.

Dan Austin CPA, P. C.  
Ruidoso, New Mexico  
November 11, 2016

**State of New Mexico  
Sierra Soil and Water Conservation District  
General Fund  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance-Budgetary Basis and Actual  
For the Fiscal Year Ended June 30, 2016**

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Mill Levy	\$ 260,000	\$ 260,000	\$ 265,017	\$ 5,017
New Mexico Department of Agriculture	14,000	14,000	14,674	674
Intergovernmental revenue and grants	141,000	141,000	26,100	(114,900)
Rents	33,741	33,741	29,586	(4,155)
Investment revenue	167	167	239	72
Fees and charges for services	2,060	2,060	6,928	4,868
Other Revenue	<u>8,200</u>	<u>8,200</u>	<u>1,563</u>	<u>(6,637)</u>
Total revenue	459,168	459,168	344,107	(115,061)
<b>Expenditures:</b>				
General Government	\$ 535,520	\$ 535,520	\$ 439,573	95,947
Debt Service-Principal	6,683	6,683	6,683	-
Debt Service-Interest	50	50	-	50
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>542,253</u>	<u>542,253</u>	<u>446,256</u>	<u>95,947</u>
<b>Excess (deficiency) of revenue and cash over expenditures</b>	<u>\$ (83,085)</u>	<u>\$ (83,085)</u>	(102,149)	<u>\$ (19,114)</u>
			2016 Accrual Adjustments	1,000
			Beginning Cash 7-1-15	<u>311,820</u>
			Ending Cash 6-30-15	<u>\$ 210,671</u>

**State of New Mexico  
Sierra Soil and Water Conservation District  
Special Revenue-Irrigation Works  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance-Budgetary Basis and Actual  
For the Fiscal Year Ended June 30, 2016**

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Loan repayments	\$ -	\$ -	\$ -	\$ -
Other revenue	40,000	60,000	60,000	-
Interest income	-	-	4	4
Total revenue	<u>40,000</u>	<u>60,000</u>	<u>60,004</u>	<u>4</u>
<b>Expenditures:</b>				
Loan Proceeds	\$ 40,000	\$ 60,000	\$ -	\$ 60,000
Debt Service-Principal	2,387	2,387	2,464	(77)
Debt Service-Interest	179	179	138	-
Loan Administration	-	-	-	-
Total expenditures	<u>42,566</u>	<u>62,566</u>	<u>2,602</u>	<u>59,923</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<u>\$ (2,566)</u>	<u>\$ (2,566)</u>	<u>\$ 57,402</u>	<u>\$ 59,927</u>
<b>Beginning Cash 7-1-15</b>			<u>3,466</u>	
<b>Ending Cash 6-30-16</b>			<u>\$ 60,868</u>	

**STATE OF NEW MEXICO  
SIERRA SOIL AND WATER CONSERVATION DISTRICT  
Schedule of Findings and Responses  
Year Ended June 30, 2016**

	Type of Finding	Prior Year Finding #	Current Year Finding #
Prior Year Findings			
None	N/A	N/A	N/A
Current Year Findings			
Budget Reporting	D	N/A	2016-001

**Findings:**

**2016-001 Budget Reporting**

**Condition:** The District failed to report loan proceeds and cash balances on final budget report.

**Criteria:** Budget Statutes require reporting entities to accurately report revenues and expenditures for all funds.

**Effect:** Inaccurate reports

**Cause:** Funds were received late in the year and the oversight was not detected by Management.

**Recommendation:** Insure all reports reflect current conditions and cash balances. Management should contact NM DFA analyst and file amended report.

**Management Response:** District Manager will review budget reporting procedures within thirty days of this report and provided the Board of Directors for review and approval. The District Manager will also contract DFA-LGD during this period and file amended reports as soon as possible.

**Legend of Findings:**

- A. Fraud
- B. Illegal Acts
- C. Internal Control Deficiency
- D. Compliance

**STATE OF NEW MEXICO  
SIERRA SOIL AND WATER CONSERVATION DISTRICT  
Exit Conference  
Year Ended June 30, 2016**

**EXIT CONFERENCE**

The report contents were discussed an exit conference at the office of Sierra Soil and Water Conservation District on December 12, 2016 with the following in attendance:

Sierra Soil and Water Conservation District

Willard Hall, Chairman  
Crystal Diamond, District Manager

Accounting Firm

Dan Austin CPA

State of New Mexico  
Sierra Soil and Water Conservation District  
Compiled Financial Statements  
June 30, 2016

**STATE OF NEW MEXICO  
SIERRA SOIL AND WATER CONSERVATION DISTRICT  
COMPILED FINANCIAL STATEMENTS**

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JUNE 30, 2016**

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**Dan Austin CPA, PC  
700 Mechem Drive Ste. 15  
Ruidoso, NM 88345  
575-257-0081**

**Accountant's Compilation Report**

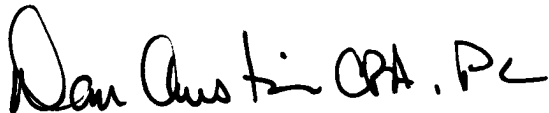
To the Board of Supervisors  
Sierra Soil and Water Conservation District  
Truth or Consequences, New Mexico

We have compiled the accompanying Balance Sheet - Governmental Funds of Sierra Soil and Water Conservation District as of June 30, 2016, and the related Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds for the year then ended. We have not audited or reviewed the accompanying financial statements and accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the modified accrual basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified accrual basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements. However, we did become aware of departures from generally accepted accounting principles that are described in the following paragraph.

The statement of net position as of June 30, 2016 and the related statement of activities and note disclosures for the year then ended have not been presented. Generally accepted accounting principles require that such statements be presented when financial statements purport to present government wide financial statements. If the omitted financial statements and disclosures were included in the financial statements, they might influence the user's conclusions about the Government's financial position and results of operations. These omissions result in financial statements being presented on a basis of accounting other than Generally Accepted Accounting Principles (GAAP). Accordingly, these financial statements are not designed for those who are not informed about such matters.



November 11, 2016



**State of New Mexico  
Sierra Soil and Water Conservation District  
Balance Sheet-Governmental Funds  
For the Fiscal Year Ended June 30, 2016**

	<b>General Fund</b>	<b>Irrigation Works</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash	\$ 210,671	\$ 60,878	\$ 271,549
Accounts receivable	-	-	-
<b>Total Assets</b>	<b><u>\$ 210,671</u></b>	<b><u>\$ 60,878</u></b>	<b><u>\$ 271,549</u></b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities:</b>			
Account Payable	\$ -	\$ -	\$ -
Payroll liabilities	5,419	-	5,419
<b>Total liabilities</b>	<b><u>5,419</u></b>	<b><u>-</u></b>	<b><u>5,419</u></b>
<b>Fund Balance:</b>			
Restricted For Debt Service	\$ -	\$ 60,878	\$ 60,878
Unassigned for:			
General Fund	205,252	-	205,252
<b>Total Fund Balance</b>	<b><u>205,252</u></b>	<b><u>60,878</u></b>	<b><u>266,130</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 210,671</u></b>	<b><u>\$ 60,878</u></b>	<b><u>\$ 271,549</u></b>

See accompanying notes and accountant's compilation report.

**State of New Mexico  
Sierra Soil and Water Conservation District  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance-Governmental Funds  
For the Fiscal Year Ended June 30, 2016**

	General Fund	Irrigation Works	Total Governmental Funds
<b>Revenues:</b>			
Mill Levy	\$ 265,017	\$ -	\$ 265,017
New Mexico Department of Agriculture	14,674	-	14,674
Intergovernmental revenue and grants	26,100	-	26,100
Rents	29,586	-	29,586
Fees and charges for services	6,928	-	6,928
Other revenue	1,563	-	1,563
Loan Proceeds	-	60,000	60,000
Interest income	239	3	242
Total revenue	<u>344,107</u>	<u>60,003</u>	<u>404,110</u>
<b>Expenditures:</b>			
General Government	247,286	-	247,286
Payroll and related costs	192,286	-	192,286
Debt Service-Principal	6,683	2,464	9,147
Debt Service-Interest	-	127	127
Capital Outlay	-	-	-
Total expenditures	<u>446,255</u>	<u>2,591</u>	<u>448,846</u>
Excess (deficiency) of revenue over expenditures	(102,148)	57,412	(44,736)
Fund balance - beginning	<u>307,400</u>	<u>3,466</u>	<u>310,866</u>
Fund balance - ending	<u>\$ 205,252</u>	<u>\$ 60,878</u>	<u>\$ 266,130</u>

See accompanying notes and accountant's compilation report.

**STATE OF NEW MEXICO**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Reporting Entity

The Sierra Soil and Water Conservation District (District) is organized under the provisions of the Soil and Water Conservation District Act (73-20-25 through 73-20-49 NMSA 1978). The District is a governmental subdivision of the state, a public body corporate and politic, organized for control and prevention of flood, sediment, and soil erosion damage, and to further the conservation, development and beneficial use of water and soil resources. The governing body of the District consists of five elected supervisors, four of whom must be landowners in the District. Two additional supervisors may be appointed to the District board. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

The financial reporting entity as defined by GASB14 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 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 has not presented the government wide statements, Statement of Net Assets, Statement of Activities, and the related note disclosures ordinarily included in governmental entity financial statements. To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Property taxes, 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 District reports the following major governmental fund:

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.

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The District reports the following non major governmental fund:

The special revenue fund is utilized to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The special revenue fund was setup to account for the District's Re-Loan Program. The District receives low interest loans from the New Mexico Interstate Stream commission (NMISC) to lend funds to landowners in the District at low interest rates for projects to conserve irrigation water on their property.

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

### **Assets, Liabilities and Net Assets**

#### **Deposits and Investments**

The District is authorized under the provision of 6-10-10 NMSA 1978, as amended, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States. The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit, be collateralized by the depository thrift or banking institution. Currently, state statutes require that a minimum of fifty percent (50%) of uninsured balances on deposit with any one institution must be collateralized, with higher requirements up to one hundred percent (100%) for financially troubled institutions. If the securities pledged are United States government securities, they are pledged at market value, if they are New Mexico municipal bonds, they are pledged at par value.

In accordance with Federal Deposit Insurance Authority, public unit deposits are funds owned by the District. Demand 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.

#### **Long-Term Assets and Liabilities**

Because the District has not presented government-wide statements the long-term capital assets and long-term debt are presented in these notes for additional information purposes only.

#### **Capital Assets**

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

#### ***Compensated Absences***

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave or "comp" time. Annual vacation is earned at a rate of 4 hours per pay period, 6 hours after three years of employment and at 8 hours after 15 years of employment Two hundred and forty hours may be carried over to the next year, but any excess is forfeited.

The vacation pay liability is reported as general long-term.

*Long-Term Obligations are as follows:*

1. The District participates in the New Mexico Interstate Streams Commission (NMISC) Irrigation Works Loan Program. The District receives low interest loans from the NMISC to lend to landowners in the District at low interest rates for projects to conserve irrigation water on their property. Recently the Office of the State engineer (OSE) started a process that will require registered irrigation well owners within the Lower Rio Grande Basin to install a meter on their well. The average cost of these meters is over \$1,000 and many agriculture producers have more than one irrigation well. To help producers meet the deadline required by the OSE, the District has utilized the short-term loan program for the installation of well meters.
2. The District has a no-interest mortgage for the construction of the current facility in Truth or Consequences from the New Mexico Finance Authority. The District makes monthly payments and the mortgage agreement requires a reserve amount of \$6,683. This amount is kept in a separate bank account from the operating fund.
3. The District incurred long-term loan with First Savings Bank for the purchase of a new vehicle in 2010.

*Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

As reported in Exhibit 3, the fund balance in Interstate Stream Fund is reserved for re-loans to land owners. In General Fund of the fund balance is unreserved.

*Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*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 of each year, the Budget committee submits a proposed revenue and expenditures budget for the fiscal year beginning July 1 to the District Board of Supervisors.
2. The Board reviews the budget proposal and makes any necessary adjustments.
3. Prior to June 1 of each year, 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.

**NOTE 3. DEPOSITS AND TEMPORARY INVESTMENTS**

Cash and temporary investments as of June 30, 2016, are classified as and comprised of in the accompanying financial statements as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Bank of the the Southwest-Operating	\$ 158,625	\$ -	\$ 158,625
Bank of the the Southwest-Savings	40,321	-	40,321
Bank of the the Southwest-Sierra Plaza	2,368	-	2,368
Bank of the the Southwest-Irrigation works	-	60,878	60,878
New Mexico Finance Authority	-	2,612	2,612
New Mexico Finance Authority	-	6,745	6,745
	<u>\$ 201,314</u>	<u>\$ 70,235</u>	<u>\$ 271,549</u>

Authorized Deposits and Investments

Under provisions of New Mexico Statutes Annotated, the District may invest in certain types of deposit and investment accounts as listed in Note 1 (c)(1) to the financial statements.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District has not adopted a deposit and investment policy with policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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 (50 percent) of the amount on deposit with the institution.

At June 30, 2016, of the District's bank balance of \$279,298 of which \$29,298 was exposed to custodial credit risk. At June 30, 2016, the carrying amount or book balance of these deposits was \$259,627.

The cash on deposit with the New Mexico Finance Authority is not subject statutory depository requirements in the amount of \$9,279

The schedule below discloses the insured portion of the District's deposits:

	Balance Per Bank	O/S Deposits	O/S Checks	Balance Per Books
Bank of Southwest-Operations	\$ 173,683	\$ -	\$ (15,058)	\$ 158,625
Bank of Southwest-Sierra Plaza	40,321	-	-	40,321
Bank of Southwest-Savings	4,416	-	(2,048)	2,368
Bank of Southwest-Irrigation Works	60,878	-	(2,565)	58,313
Total Deposits	279,298	-	(19,671)	259,627
FDIC Insurance	(250,000)			9357
Total Uninsured Deposits	29,298			2565
50% of Deposits	(14,649)			271,549
Required Pledge Per NMSA	14,649			
Pledged Collateral (See Below)	(50,000)			
<b>(Over) Under Pledge Requirement</b>	<u>\$ (35,351)</u>			
<b>Pledged Collateral:</b>				
FHLB Letter of Credit 12/05/16	\$ 50,000			
Total Pledged Collateral	<u>\$ 50,000</u>			

The District also has deposits with the New Mexico Finance Authority in two accounts amounting to \$9,357.

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the District consists of the following at June 30, 2016:

	Balance 6/30/2015	Adds	Retirements	Transfers	Balance 6/30/2016
Capital Assets being depreciated:					
Buildings and system	\$ 87,300	\$ -	\$ -	\$ -	\$ 87,300
Machinery and equipment	107,031	-	-	-	107,031
Vehicles	78,116	-	-	-	78,116
Total Capital Assets	<u>\$ 272,447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272,447</u>

**NOTE 5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and other current liabilities as of June 30, 2016 for the District's funds are as follows:

	General Fund	Irrigation Works	Total
Accounts Payable	\$ -	\$ -	\$ -
Payroll Tax	5,419	-	5,419
	<u>\$ 5,419</u>	<u>\$ -</u>	<u>\$ 5,419</u>

**NOTE 6. LONG-TERM DEBT**

The District has entered into loan agreements with the New Mexico Interstate Stream Commission for the purpose of lending funds to landowners in the district for water conservation projects. The terms of the agreement are as follows:

Date of Loan	5/26/2016	7/1/2002
Amount of Loan	\$60,000	\$40,000
Interest Rate	2.50%	2.50%
Term	20 years	20 years
Annual Payment	Variable	Variable
Current Balance	\$60,000	\$1,640

The following schedule details the debt service requirements for the two loans payable to the Interstate Stream Commission at June 30, 2016 liquidated in the Irrigation Works Fund

Year Ended	Principal	Interest	Total
2017	\$ 4,640	\$ 1,523	\$ 6,163
2018	3,000	1,425	4,425
2019	3,000	1,350	4,350
2020	3,000	1,275	4,275
2021	3,000	1,200	4,200
2022-2026	15,000	3,150	18,150
2027-2031	15,000	2,100	17,100
2032-2037	15,000	1,500	16,500
Total	<u>\$ 61,640</u>	<u>\$ 13,523</u>	<u>\$ 75,163</u>

The District also entered into a long-term mortgage with the New Mexico Finance Authority for the construction of the current facility at Sierra Plaza. The District makes monthly payments and maintains a required reserve account of \$6,710. This amount is maintained in a separate cash account. The mortgage was entered into on July 11, 2008 for \$133,658 with the first payment to be made in September 2008. The balance as of June 30, 2016 is \$80,196.

The following schedule details the debt service requirements for the mortgage payable to the New Mexico Finance Authority liquidated through the General Fund.

Year Ended	Principal	Interest	Total
2017	\$ 6,683	\$ -	\$ 6,683
2018	6,683	-	6,683
2019	6,683	-	6,683
2020	6,683	-	6,683
2021	6,683	-	6,683
2022-2026	33,415	-	33,415
2027-2028	13,366	-	13,366
	<u>\$ 80,196</u>	<u>\$ -</u>	<u>\$ 80,196</u>

Changes in Long-term Liabilities for the fiscal year ended June 30, 2016:

	Balance 6/30/2015	Additions	Retirements	Balance 6/30/2016	Due in One Year
Note Payable - NMFA	\$ 86,879	\$ -	\$ (6,683)	\$ 80,196	\$ 6,683
Notes Payable-NMISC	-	60,000	-	60,000	3,000
Notes Payable-NMISC	4,042	-	(2,402)	1,640	1,640
Compensated Absence	7,308	12,045	(10,305)	9,048	9,048
	<u>\$ 98,229</u>	<u>\$ 72,045</u>	<u>\$ (10,305)</u>	<u>\$ 150,884</u>	<u>\$ 20,371</u>

Compensated absences are usually liquidated by the general fund.

#### NOTE 8. PERA PENSION PLAN

Sierra Soil and Water Conservation District is not presenting Government Wide Financial Statement, but has elected to present pension disclosure information required by generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

*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.

**Plan Description.** This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth



in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

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

**Benefits Provided.** For a description of the benefits provided and recent changes to the benefits see Note I in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at <http://www.nmpera.org>.

**Contributions.** The contribution requirements of defined benefit plan members and the 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 FY 14 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 FY 15 annual audit report at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2015.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf). The PERA coverage options that apply to District are: General Division, Fire Division and Police Division. Statutorily required contributions to the pension plan from the District were \$5,682 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2016.

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

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were preformed 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, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 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 - the District's General Division,** at June 30, 2016, the District reported a liability of \$87,684 for its proportionate share of the net pension liability. At June 30, 2015, the District's proportion was 0.0077 percent, which was unchanged from its proportion measured as of June 30, 2014. due to the insignificance of the difference.

For the year ended June 30, 2016, the District recognized PERA Fund - General, pension expense of \$5,015. At June 30, 2016, the District reported PERA Fund Division - General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,942
Change of assumptions	-	34
Changes in Proportionate Share of Contributions	5,361	-
Net Difference between projected and actual earnings on pension investments	-	277
Sierra SWCD contributions subsequent to the measurement date	<u>4,996</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 10,357</u></b>	<b><u>\$ 2,253</u></b>

The District reported \$4,996 was reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30**

2017	\$ (2,322)
2018	(2,322)
2019	(2,322)
2020	4,713
2021	-
There After	-

**Actuarial assumptions.** As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
<b>Actuarial assumptions:</b>	
• Investment of rate of return	7.75% annual rate, net of investment expense
• Payroll growth	3.50% annual rate
• Projected benefit	100 Years
• Projected salary	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate
• Mortality Assumption	RP-2000 Mortality Tables (Combined table for Healthy post retirements, Employee table for active members, and disabled table of disabled retirees before retirement age) with projection to 2018 using Scale AA.
• Experience Study Dates	July 1, 2008 to June 30, 2013

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:

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

**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 PERA Fund Division that 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.

PERA Fund Division - General	1 % Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 149,292	\$87,684	\$36,462

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY 15 Restated PERA financial report. The report is available at <http://www.nmpera.org/publications.html>.

**Payables to the pension plan.** At June 30,2016, the District had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2016.

## **NOTE 9. RISK MANAGEMENT**

The District is exposed to various risks of loss due to torts, theft or damage of assets, errors and omissions and natural disasters. The district's supervisors and employees are covered by an errors and omissions liability policy purchased by the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,050,000 for each wrongful act and \$1,050,000 for the policy aggregated. The District currently maintains a \$500,000 commercial liability insurance and \$500,000 in business automobile insurance. The District is required to obtain a corporate surety bond on behalf of persons responsible for District assets. The District sustained no losses during the last several years and is not a defendant in any lawsuit. Currently, the District maintains the following surety bond with Hot Springs Insurance:

Bond:	Employee Dishonesty Coverage
Term:	March 1, 2016 - March 1, 2017
Coverage:	District coordinator, Chairman and Secretary/Treasurer
Amount:	\$60,000 each

## **NOTE 10. RELATED PARTY TRANSACTION**

The District's Chairman, Willard Hall, was paid \$4,156 for professional services to provide FFA training to the local high school.