

STATE OF NEW MEXICO
TIERRA Y MONTES
SOIL AND WATER CONSERVATION DISTRICT

ACCOUNTANTS' COMPILATION REPORT

FOR THE YEAR-ENDED JUNE 30, 2016

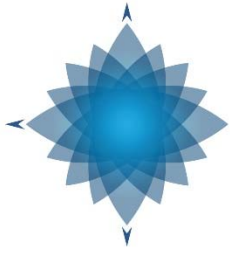


**STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2016**

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STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2016

<u>Board of Supervisors</u>	<u>Title</u>
Rita Gallegos	Chairperson
Dennis Rivera	Vice-Chairperson
Alvin Martinez	Secretary/Treasurer
Napoleon Quintana	Supervisor
Gabe Estrada	Supervisor
<u>District Personnel</u>	
Frances Martinez	District Manager
Carla Garduno	Administrative Assistant
Stephen Riechert	Project Facilitator
Lydia Ulibarri	Noxious Weed Coordinator



Independent Accountants' Compilation Report

Timothy Keller
New Mexico State Auditor
and
Rita Gallegos, Chairperson
Tierra Y Montes Soil and Water Conservation District
Las Vegas, New Mexico

We have compiled the accompanying financial statements of the governmental activities, the major fund, of the State of New Mexico Tierra Y Montes Soil and Water Conservation District (District) as of and for the year ended June 30, 2016 which collectively comprise the District's basic financial statements as listed in the table of contents. 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 accounting principles generally accepted in the United States of America. Management of the District is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal controls 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.

Management has omitted the management's discussion and analysis information that is required to be presented for purposes of additional analysis. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have compiled the required supplementary information on pages 29 through 31, although not a part of the basic financial statements is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial statements.

We have not audited or reviewed the accompanying schedules and, accordingly, do not express an opinion or provide any assurance that there are no material modifications that should be made to the schedules.

Integrity Accounting + Consulting, LLC

Integrity Accounting & Consulting, LLC
Albuquerque, NM
December 13, 2016

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
As of June 30, 2016

	Governmental Activities
Assets and deferred inflows of resources:	
Assets:	
Cash and cash equivalents	\$ 1,716,503
Investments	15,570
Receivables	
Taxes receivable	6,598
Restricted cash	<u>19,199</u>
Total current assets	1,757,870
Non-current assets:	
Capital assets	523,793
Less: Accumulated depreciation	<u>(289,488)</u>
Total non-current assets	<u>234,305</u>
Total assets	<u>1,992,175</u>
Deferred Outflows of Resources:	
Employer contributions subsequent to the measurement date	19,250
Investment experience	40,252
Change of proportion	<u>26,806</u>
Total deferred outflows of resources	<u>86,308</u>
Total assets and deferred outflows of resources	\$ <u><u>2,078,483</u></u>
Liabilities, deferred inflows of resources and net position:	
Liabilities:	
Accounts payable	\$ 4,591
Accrued payroll liabilities	8,233
Current portion of compensated absences	19,873
Current portion of long-term debt	<u>14,358</u>
Total current liabilities	47,055
Non-current liabilities	
Compensated absences	4,968
Notes payable	43,417
Net pension liability	<u>228,377</u>
Total non-current liabilities	<u>276,762</u>
Total liabilities	323,817
Deferred Inflows of Resources:	
Investment experience	40,973
Actuarial experience	5,059
Change of assumption	<u>89</u>
Total deferred inflows of resources	46,121
Net position	
Net Investment in Capital Assets	(8,430)
Unrestricted Net Position	<u>1,716,975</u>
Total net position	<u>1,708,545</u>
Total liabilities, deferred inflows of resources and net position:	\$ <u><u>2,078,483</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

<u>Functions/programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes In Net Assets Primary Government</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities					
Conservation	\$ 735,918	-	396,000	-	(339,918)
Interest expense	289	-	-	-	(289)
Total governmental activities	\$ 736,207	-	396,000	-	(340,207)
Total primary government					(340,207)
General revenues:					
Taxes					
Property taxes levied for general purposes				\$ 474,652	
Interest income				3,254	
Miscellaneous income				2,654	
Total general revenue and transfers				480,560	
Changes in net assets					140,353
Beginning net position					1,568,192
Net position, end of year					\$ 1,708,545

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2016

	<u>General Fund</u>
Assets and deferred inflows of resources:	
Assets:	
Cash and cash equivalents	\$ 1,735,702
Investments	15,570
Receivables	
Taxes receivable	<u>6,598</u>
Total assets	<u>1,757,870</u>
Deferred Outflows of Resources:	
Total deferred outflows of resources	<u>-</u>
Total assests and deferred outflows of resources	\$ <u><u>1,757,870</u></u>
Liabilities, deferred inflows of resources and fund balances:	
Liabilities:	
Accounts payable	\$ 4,591
Accrued payroll liabilities	<u>8,233</u>
Total liabilities	<u>12,824</u>
Deferred Inflows of Resources:	
Total deferred inflows of resources	<u>-</u>
Fund balances:	
Nonspendable	-
Restricted	-
Committed	-
Assigned	-
Unassigned	<u>1,745,046</u>
Total fund balances	<u>1,745,046</u>
Total liabilities, deferred inflows of resources and fund balances:	\$ <u><u>1,757,870</u></u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
TO THE STATEMENT OF NET POSITION
As of June 30, 2016**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - Governmental funds	\$ 1,745,046
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	234,305
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds:

Deferred outflows of resources related to:	
Employer contributions subsequent to the measurement date	19,250
Investment experience	40,252
Change of proportion	26,806
Deferred inflows of resources related to:	
Investment experience	(40,973)
Actuarial experience	(5,059)
Change of assumption	(89)

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

Current compensated absences	\$ (19,873)	
Noncurrent compensated absences	(4,968)	
Current notes payable	(14,358)	
Noncurrent notes payable	(43,417)	
Net pension liability	<u>\$ (228,377)</u>	<u>(310,993)</u>

Net position for governmental activities	\$ <u><u>1,708,545</u></u>
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STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
MENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	<u>General Fund</u>
Revenues:	
Taxes	
Property	\$ 474,652
Intergovernmental revenue	
Federal grants	376,647
State grants	19,353
Interest income	2,654
Miscellaneous income	<u>3,254</u>
Total revenues	876,560
 Expenditures:	
Current:	
Conservation	729,246
Debt service	
Principal	10,782
Interest	<u>289</u>
Total expenditures	<u>740,317</u>
Excess (deficiency) of revenues over (under) expenditures	136,243
Other financing sources (uses):	<u> </u>
Total other financing sources (uses):	<u> </u>
Net change in fund balances	136,243
Beginning fund balance	<u>1,608,803</u>
Ending fund balance	\$ <u><u>1,745,046</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
As of June 30, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Total net change in fund balances-governmental funds	\$	136,243
<p>Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimates useful lives and reported as depreciation expense.</p>		
Capital expenditures recorded as capital outlay or other expenses		22,535
<p>Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore depreciation expense is not reported as an expenditure in the governmental funds.</p>		
		(16,359)
<p>The issuance of long-term debt (e.g. bonds, notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
(Increase)/decrease in compensated absences		(1,468)
Principal payments on long-term debt		10,782
<p>Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:</p>		
Employer contributions subsequent to the measurement date		19,250
Pension expense		(30,631)
Rounding		<u>1</u>
Change in net position of governmental activities	\$	<u><u>140,353</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tierra Y Montes 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. The Board of Supervisors has chosen to not appoint the two additional supervisors. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's most significant accounting policies are described below.

A. Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB-14. The first criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units and is not a component unit of another governmental agency.

B. Basis of Accounting/Measurement Focus

The accounts of the District are organized 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column. Fiduciary activities of the District are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the District include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements.

The District reports the general fund as a major governmental fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the District except for items included in other funds.

The District does not report any other major funds.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

C. Assets, Liabilities and Equity

Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

The District's investments are regulated by state law as well as by guidelines and rules promulgated by the State Investment Council and the State Treasurer. All investments are generally highly liquid in nature and are integrated with cash on the financial statements with appropriate disclosure. Investments are stated at fair value, which is determined using selected bases. Certificates of deposit are reported at carrying amount, which reasonably estimates fair value. Additional cash, investment information, and fair values are presented in Notes 3 and 4.

Receivables and Payables

All receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible accounts.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Property taxes attach as an unsubordinated enforceable lien on property as of January 1 of the assessment year. Current year taxes are levied within five days of the rate setting order received from New Mexico Department of Finance and Administration (7-38-32 thru 7-38-36). Tax bills are mailed by November 1, unless the San Miguel County Assessor obtains a formal extension of time from the New Mexico Property Tax Division. Taxpayers have the option to pay in two equal installments due by the close of business November 10th and April 10th. Penalty and interest will be accrued after the delinquency due dates of December 10th and May 10th. In the event of a formal extension, the respective dates are correspondingly extended.

The accounts payable as of the balance sheet date include routine monthly bills for services rendered and products purchased which are paid in the following months.

Inventories and Prepaid Items

Inventories in governmental funds consist of expendable supplies held for consumption, and are valued at cost using a first-in, first-out (FIFO) method. Expendable supplies are accounted for using the consumption method. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

operations and are recorded as expenditures when consumed rather than when purchased. The District current does not hold any items in inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government 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. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information technology equipment including software is being capitalized and included in machinery and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets that have been disposed of are recorded as deletions on the government-wide financial statements. Accumulated depreciation is adjusted for all deletions.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the District during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Years</u>
Land	Perpetuity
Construction in progress	Perpetuity
Buildings	30 - 40
Leasehold Improvements	20
Vehicles	5
Office Equipment	5-7
Farm Equipment	5-7

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Analysis of Impairment

Management reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there is no impairment of such District assets at June 30, 2016.

Deferred Outflows of Resources

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has three types of items that qualify for reporting in this category. Accordingly, the items, employer contributions subsequent to measurement date, net difference between expected and actual earnings on pension plan investments, net difference between expected and actual experience, change in assumptions and change in proportion, are reported on the Statement of Net Position. These amounts are deferred and recognized as an outflow of resources in the period the amounts become available. The District has recorded \$19,250 related to contributions subsequent to the measurement date, \$40,252 related to the net difference between expected and actual earnings on pension plan investments, and \$26,806 related to changes in proportion.

Deferred Inflows of Resources

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized.

If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources.

The District has five types of items which qualify for reporting in this category. The items, unavailable revenue – property taxes and unavailable revenue - grants, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has recorded \$-0- related to property taxes and \$-0- related to grants that are considered “unavailable”.

The items, net difference between expected and actual earnings on pension plan investments, change in assumptions, and actuarial experience, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has recorded \$40,973 related to the net

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

difference between expected and actual earnings on pension plan investments, \$5,059 related to the net difference between expected and actual experience, and \$89 related to changes in assumptions.

Compensated Absences

The District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave, since the government does not have a policy to pay amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide financial statements. A current liability for these amounts is reported in the governmental funds only. If they have matured, for example, as a result of resignation and retirements. If the employee is terminated the accrued time is not paid out.

The District's policy states that employees accrue leave at 3.08 hours per pay period if the employee has less than three years of employment, increasing to 4 hours for less than seven years of employment, 5 hours for less than eleven years of employment, 6 hours for less than fifteen years of employment and 6.3 hours for more than fifteen years of employment. Employees may not carryover more than 240 hours forward from one calendar year to the next.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent.

Governmental Fund Financial Statements. In accordance with GASBS No. 54, the District classifies fund balances in the governmental funds as follows:

Nonspendable Fund Balance includes fund balance amounts that cannot be spent either

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

because they are not in spendable form or because of legal/contractual requirements. Examples are Prepaid Expenses and Inventory.

Spendable Fund Balance includes Restricted, Committed, Assigned, and Unassigned designations:

Restricted includes fund balance amounts that are limited for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed includes fund balance amounts that are obligated to a specific purpose which are internally imposed by the government through formal action (Ordinances and Resolutions) at the highest level of decision making authority (Board of Supervisors). These commitments can only be overturned by a like action.

Assigned includes spendable fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Undesignated excess Fund Balances may be assigned by the Board of Supervisors for specific purposes through the budget process or agenda items. The assigned designation may be reversed by the Board of Supervisors at any public meeting.

Unassigned includes residual positive fund balances within the General Fund, which have not been classified within the other above mentioned categories. Unassigned Fund Balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in the General Fund, it is the District's policy to use unassigned resources first, then assigned, and then committed as needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any other governmental fund, it is the District's policy to use committed resources first, then assigned, and then unassigned as needed.

The District does not have a formal minimum fund balance requirement.

Net Position

Government-wide Financial Statements. The District classifies net position in the government-wide financial statements as follows:

Net Investment in Capital Assets includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those

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assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The Board of Supervisors has the authority to revisit or alter this designation.

D. 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.

E. Income Taxes

As a local government entity, the District is not subject to federal or state income taxes. The District is generally no longer subject to examination by federal and state taxing authorities for years prior to 2013. For the year ended June 30, 2016, no interest or penalties were recorded or included in the financial statements.

F. 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

The District adopts budgets for each individual fund. The District uses the following procedures to establish the budgeted amounts reflected in the budgetary comparisons:

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

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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.

During the course of the fiscal year, the District prepares monthly budget reports. Under New Mexico State law, each year's budget appropriation legally lapses at year-end.

Budgetary Compliance – Budgetary control is required to be maintained at the individual fund level.

Actual fund revenues may be either over or under the budgeted amounts; however, the variance is required to be reasonable, particularly in the case of over-budgeted revenues. Major over-budgeted revenues require a budget amendment as soon as the extent of the shortage is reasonably ascertainable.

Budget Amendments – Budget increases and decreases can only be accomplished by Board of Supervisor resolution, followed by DFA approval. Similarly, budget transfers must follow the same procedure.

Budgetary Basis – State law prescribes that the District's budget be prepared on the basis of cash receipts and cash expenditures. Therefore, budgetary comparisons shown in exhibits are prepared on a cash basis to compare actual revenues and expenditures with a cash basis budget as amended.

The accompanying Statements of Revenue, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2016 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual budgetary statement.

NOTE 3 – CASH AND CASH EQUIVALENTS

The District's cash balances consist of demand deposits, interest bearing savings accounts. The District does not have a deposit policy.

The District reports the following cash and cash equivalents balances as of June 30, 2016:

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Southwest Capital Bank

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Outstanding items</u>	<u>Reconciled balance</u>
Tierra Y Montes SWCD	Interest-Checking	\$ 1,099,969	(5,998)	1,093,971
	Less: FDIC coverage	(250,000)		
	Uninsured Amount	849,969		
	50% collateral requirement	424,985		
	Pledged securities	500,000		
	Over (Under) Secured	\$ 75,015		

The following securities are pledged at Southwest Capital Bank and were held at FHLB located in Dallas, TX:

<u>Description</u>	<u>CUSIP #</u>	<u>Par/ Market Value</u>	<u>Maturity Date</u>
FHLB-LC3649000101 - LOC 2696000767	N/A	\$ 500,000	1/25/2017
		\$ 500,000	

Community 1st – Las Vegas

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Outstanding items</u>	<u>Reconciled balance</u>
Tierra Y Montes SWCD	Interest-Checking	\$ 408,765	-	408,765
	Less: FDIC coverage	(250,000)		
	Uninsured Amount	158,765		
	102% collateral requirement	161,940		
	Pledged securities	91,064		
	Over (Under) Secured	\$ (70,876)		

The following securities are pledged at Community 1st – Las Vegas and were held at FHLB located in Dallas, TX:

<u>Description</u>	<u>CUSIP #</u>	<u>Par/ Market Value</u>	<u>Maturity Date</u>
Colorado Springs Co Utilities	196630PP6	\$ 16,477	11/15/2018
Alamogordo NM Municipal School	011464FR0	74,587	8/1/2020
		\$ 91,064	

State Employees Credit Union

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Outstanding items</u>	<u>Reconciled balance</u>
Tierra Y Montes SWCD	Savings	\$ 213,765	-	213,765
	Less: SMSIA coverage	(213,765)		
	Uninsured Amount	-		
	Over (Under) Secured	\$ -		

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The cash held by NMFA is restricted for debt service.

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Outstanding items</u>	<u>Reconciled balance</u>
Tierra Y Montes SWCD	Savings	\$ 4,476	-	4,476
	Savings	\$ 14,723	-	14,723
		19,199	-	19,199
	Less: FDIC coverage	(19,199)		
	Uninsured Amount	-		
	50% collateral requirement	-		
	Pledged securities	-		
	Over (Under) Secured	-		

Custodial Credit Risk Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District funds may not be returned. The District does not have a deposit policy for custodial risk

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. At present, state statutes require that a minimum of fifty percent of uninsured balances on deposit with anyone institution must be collateralized, with higher requirements up to 102% for financially troubled institutions.

Based on the above, the District is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to 50% of the public money in each account. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of New Mexico.

As of June 30, 2016, the District's bank balances of \$1,741,968 were exposed to custodial credit risk as follows:

Insured through federal depository insurance	\$ 732,964
Uninsured, collateralized with securities held by pledging financial institution's trust department or agent in the Town's name.	591,064
Uninsured and uncollateralized	<u>417,670</u>
Total uninsured deposits	<u>\$ 1,741,698</u>

NOTE 4 - INVESTMENTS

The District's investments consisted of the following as of June 30, 2016:

<u>Investment Type</u>	<u>Cost Basis</u>	<u>Market Value</u>
Certificate of deposit	\$ 15,570	15,570
	<u>\$ 15,570</u>	<u>15,570</u>

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NOTE 5 – RECEIVABLES

Receivables as of June 30, 2016 are as follows:

	<u>General Fund</u>
Taxes:	
Property	\$ 6,598
Subtotal	6,598
Less: Allowance for uncollectibles	<u>-</u>
Net Receivables	<u>\$ 6,598</u>

NOTE 6 – CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2016 follows. Land and construction in progress are not subject to depreciation.

<u>GOVERNMENTAL ACTIVITIES</u>	<u>Balance 06/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/16</u>
Capital assets being depreciated:				
Buildings	\$ 245,344	-	-	245,344
Leasehold Improvements	26,533	-	-	26,533
Vehicles	99,112	22,535	(21,716)	99,931
Farm Equipment	140,488	-	-	140,488
Office Equipment	<u>11,497</u>	<u>-</u>	<u>-</u>	<u>11,497</u>
Total capital assets being depreciated	522,974	22,535	(21,716)	523,793
Less accumulated depreciation for:				
Buildings	(48,024)	(5,336)	-	(53,360)
Leasehold Improvements	(20,135)	(1,327)	-	(21,462)
Vehicles	(99,114)	(2,254)	21,716	(79,652)
Farm Equipment	(116,075)	(7,442)	-	(123,517)
Office Equipment	<u>(11,497)</u>	<u>-</u>	<u>-</u>	<u>(11,497)</u>
Total accumulated depreciation	<u>(294,845)</u>	<u>(16,359)</u>	<u>21,716</u>	<u>(289,488)</u>
Total capital assets being depreciated	<u>228,129</u>	<u>6,176</u>	<u>-</u>	<u>234,305</u>
Total capital assets, net of depreciation	<u>\$ 228,129</u>	<u>6,176</u>	<u>-</u>	<u>234,305</u>

Depreciation expense for the year ended June 30, 2016 totaled \$16,359 and was charged to the general fund's conservation function.

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NOTE 7 – LONG-TERM DEBT

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

	<u>Balance</u> <u>6/30/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2016</u>	<u>Amount due</u> <u>within one</u> <u>year</u>
Governmental funds debt					
Compensated absences	\$ 23,373	16,390	(14,922)	24,841	19,873
Notes payable	<u>68,557</u>	-	<u>(10,782)</u>	<u>57,775</u>	<u>14,358</u>
Total governmental activities	<u>\$ 91,930</u>	<u>16,390</u>	<u>(25,704)</u>	<u>82,616</u>	<u>34,231</u>

Long-term liabilities are liquidated from the general fund. No short-term debt was incurred during fiscal year 2016.

Notes payable

NMFA – Building

<u>Purpose</u>	<u>Original</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Balance</u>
Construct a building	\$ 207,590	2.50%	4/1/2020	\$ 57,775

The annual principal and interest requirements on long-term debt outstanding as of June 30, 2016 are as follows.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 14,358	234	14,592
2018	14,414	177	14,591
2019	14,472	120	14,592
2020	14,531	61	14,592
2021	-	-	-
Total	<u>\$ 57,775</u>	<u>592</u>	<u>58,367</u>

NOTE 10 – 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 is required to obtain a corporate fidelity bond on behalf of persons responsible for District assets. The District currently maintains a \$10,000 fidelity bond on its District Clerk and Supervisors. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

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NOTE 11 – PERA PENSION PLAN

General Information about the Pension Plan

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

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

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Contributions. The contribution requirements of defined benefit plan members and the Tierra y Montes Soil and Water Conservation District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 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 FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf. The PERA coverage options that apply to the District are: Municipal General Division. Statutorily required contributions to the pension plan from the District were \$19,250 and no employer paid member benefits that were “picked up” by the employer 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, 2014. 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.

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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 Tierra y Montes Soil and Water Conservation 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 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2016, the District reported a liability of \$228,377 for its proportionate share of the net pension liability. At June 30, 2015, the District's proportion was 0.0224 percent, which changed from its proportion of 0.0179 percent as of June 30, 2014.

For the year ended June 30, 2016, the District recognized PERA Fund Division Municipal General pension expense of \$11,381. At June 30, 2016, the District reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	5,059
Changes of assumptions	\$ -	89
Net difference between projected and actual earnings on pension plan investments	40,252	40,973
Changes in proportion and differences between District contributions and proportionate share of contributions	26,806	-
District contributions subsequent to the measurement date	<u>19,250</u>	<u>-</u>
	<u>\$ 86,308</u>	<u>46,121</u>

\$19,250 reported as deferred outflows of resources related to pensions resulting from Tierra y Montes Soil and Water Conservation District contributions subsequent to the measurement date

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June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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:	
2016	\$ 2,250
2017	2,250
2018	2,250
2019	14,187
2020	-
Thereafter	\$ -

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 evaluation 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, 2015. 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, open
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:

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<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	21.10%	5.00%
International Equity	24.80%	5.20%
Private Equity	7.00%	8.20%
Core and Global Fixed Income	26.10%	1.85%
Fixed Income Plus Sectors	5.00%	4.80%
Real Estate	5.00%	5.30%
Real Assets	7.00%	5.70%
Absolute Return	<u>4.00%</u>	4.15%
	<u>100.00%</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 longterm 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.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Town's proportionate share of the net pension liability	\$ 388,853	228,387	94,971

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

NOTE 12 – POST EMPLOYMENT BENEFITS

Plan Description. The District contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board

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is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-

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15(G) NMSA 1978, at the first session of the Legislature following July 1, 2015, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act. The District is not a member of the enhanced retirement plan.

The District's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$4,031, \$3,677 and \$2,900, respectively, which equal the required contributions for each year.

NOTE 15 – CONTINGENCIES

The District participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited by the grantor agencies.

Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds of the overall financial position of the District.

NOTE 18 – EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 14, 2016, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL GENERAL
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0224%	0.0179%
District's proportionate share of the net pension liability (asset)	\$ 228,387	\$ 139,629
District's covered-employee payroll	\$ 201,573	\$ 183,858
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	113.30%	75.94%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	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.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
PERA Municipal General Division
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 19,250	\$ 17,545
Contributions in relation to the contractually required contribution	<u>19,250</u>	<u>17,545</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
District's covered-employee payroll	201,573	183,858
Contributions as a percentage of covered-employee payroll	9.55%	9.54%

* 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.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirementfund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>. See appendix B on pages 53-61 of the report which summarizes actuarial assumptions and methods effective with the June 30, 2014 valuation.

Changes in assumption resulted in a decrease of \$91.8 million to the total pension liability for the PERA Fund and an increase of 0.42% to the funded ratio for the year ended June 30, 2015. See more details of actuarial methods and assumptions on Note 2 on page 34 of PERA's Schedule of Employer Allocations and Pension amounts at http://osanm.org/media/audits/366-B_PERA_Schedule_of_Employer_Allocations_FY2015.pdf

STATE OF NEW MEXICO

TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

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

FOR THE YEAR-ENDED JUNE 30, 2016



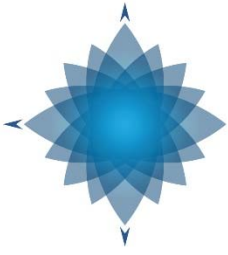
STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2016

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STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2016

<u>Board of Supervisors</u>	<u>Title</u>
Rita Gallegos	Chairperson
Dennis Rivera	Vice-Chairperson
Alvin Martinez	Secretary/Treasurer
Napoleon Quintana	Supervisor
Gabe Estrada	Supervisor

<u>District Personnel</u>	
Frances Martinez	District Manager
Carla Garduno	Administrative Assistant
Stephen Riechert	Project Facilitator
Lydia Ulibarri	Noxious Weed Coordinator



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

Timothy Keller
New Mexico State Auditor
and
Rita Gallegos, Chairperson
Tierra Y Montes Soil and Water Conservation District
Las Vegas, New Mexico

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

Our procedures and findings are as follows:

1. Verify Tier

Procedures

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

Results of Procedures Performed

- a. Based on a review of the District's general ledger, total revenues for the fiscal year ending June 30, 2016 were \$499,745 (excluding the federal grants). Based on this information, the District was properly determined to be a Tier 6 entity for FY16 since their total revenues were between \$250,000 and \$500,000 during the fiscal year.

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.
- 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.

Results of Procedures Performed

- a. The bank reconciliations were performed on a monthly basis in a timely manner. All bank statements for the fiscal year were complete and on hand. For the period July 1, 2015 through June 30, 2016, the District had three checking accounts and one Certificate of Deposit (CD) The District had no investment accounts other than the CD.
- b. The randomly selected bank reconciliations were accurate, and the ending balances on the bank reconciliations agreed with the District's general ledger, supporting documentation and the financial reports submitted to DFA-LGD.
- c. Two of the District's cash accounts exceeded FDIC coverage at various points during the year. These account held by Southwest Capital Bank was determined to have adequate additional collateralization as required by Section 6-10-17 NMSA 1978, NM Public Money Act. The account held at Community 1st Bank – Las Vegas had increased collateral requirements per the Office of the State Treasurer. It was determined that based on the 102% collateral requirement, the balances in the account were under collateralized by \$70,876 at June 30, 2016.

The District's remaining bank account and CD account did not exceed FDIC insurance limits.

3. Capital Assets

Procedures

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

Results of Procedures Performed

- a. The District performed a capital asset inventory for the fiscal year ending June 30, 2016.

4. Debt

Procedures

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

Results of Procedures Performed

- a. The required debt payments were made during the year on existing loans. The loan agreement reserves are on deposit with the New Mexico Finance Authority.

5. 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 sample of revenue based on auditor judgment 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.

Results of Procedures Performed

- a. An analytical review of prior-year to current-year revenue revealed no unexplained or unusual variations. The test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions.
- b. We requested supporting documentation for twenty (20) deposits (75% of total revenue) from a total of 84 deposits for the year. For the sample selected, The amount recorded in the general ledger agreed with the supporting documentation and the bank statement.

- c. Per review of supporting documentation for the transactions tested, amounts were properly recorded on a cash basis as to classification, amount and period.

6. Expenditures

Procedures

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

- a. Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.
- b. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c. Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Results of Procedures Performed

- a) We requested supporting documentation for thirty (30) disbursements (40% of total expenses) out of a total of 368 disbursements for the year. The amounts recorded as disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled check. The District does not use purchase order forms.
- b) For the sample selected, disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) 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).

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.

Results of Procedures Performed

According to the District Manager, no non-routine journal entries were posted to the general ledger during the fiscal year. Review of the general ledger during the course of the engagement, did not identify any journal entries recorded by the District.

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.

Results of Procedures Performed

- a) The District's Board of Supervisors adopted its FY16 budget on July 14, 2015 (Resolution #1-15-16) which was approved by DFA-LGD on August 20, 2015. The District did not have any budget adjustments in FY16.
- b) Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.
- c) A schedule of revenues and expenditures – budget and actual (Exhibit A) was prepared on the cash budgetary basis used by the District.

9. Capital Outlay Appropriations

Procedures

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

- a. Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b. Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.
- c. Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
- d. Determine the physical existence (by observation) of the capital 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 the general ledger and other supporting documentation.
- f. If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g. If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.
- h. Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- i. Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

Results of Procedures Performed

Based on discussion with the District Manager and review of the accounting records, the District did not receive or expend any amounts related to capital outlay appropriations in the year ended June 30, 2016. As a result, no other procedures were performed.

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, such instances must be disclosed 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(1)(3)(C) NMAC.

Results of Procedures Performed

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 of the financial statements or any part thereof, the objective of which would be the expression of an opinion on the financial statements or any part thereof, including the accompanying Exhibits A, B and C. 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 Tierra Y Montes Soil and Water Conservation District, the New Mexico State Auditor's Office and the Department of Finance and Administration, Local Government Division and the New Mexico Legislature and is not intended to be and should not be used by anyone other than those specified parties.

Integrity Accounting + Consulting, LLC

Integrity Accounting & Consulting, LLC
Albuquerque, NM

December 13, 2016

**STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016**

Status of Prior Year Findings

2011-002 - Lack of Pledged Securities

Repeated/Modified

SECTION II FINDINGS – FINANCIAL STATEMENTS

<u>Finding</u>	<u>Status of Current and Prior Year Findings</u>
Prior Year Findings	
2011-002 - Lack of Pledged Securities	Repeated/ Modified
Current Year Findings	
None	

PRIOR YEAR FINDINGS

2011-002 - Lack of Pledged Securities – Compliance – Repeated/Modified

Condition

The Community 1st Bank - Las Vegas had pledged out of state securities for the public monies held by the institution. First Community Bank of Las Vegas had pledged securities from Colorado Springs Colorado Utilities with a collateral value of \$16,477.20 as part of its pledged inventory.

This is a repeat finding from prior years. During the course of the year, the District resolved a similar out of state collateral issue with its account at Southwest Capital Bank. The District was unable to have Community 1st Bank - Las Vegas make a similar change.

Additionally, it was observed that the Community 1st Bank - Las Vegas was pledging collateral at 50% of the District’s deposits. Per the Office of the State Treasurer, the collateral requirements for that financial institution are 102% of the aggregate deposits that exceed the FDIC-insured maximum. As a result, the District was under collateralized by \$70,876 as of June 30, 2016 on those balances.

Criteria

Pursuant to Section 6-10-16, NMSA 1978, deposits of public money shall be secured by: securities of the United States, its agencies or instrumentalities; securities of the state of New Mexico, its agencies, instrumentalities, counties, municipalities or other subdivisions; securities, including student loans, that are guaranteed by the United States or the State of New Mexico; revenue bonds that are underwritten by a member of the financial industry regulatory authority, known as FINRA, and are rated “BAA” or above by a nationally recognized bond rating service; or letters of credit issued by a federal home loan bank.”

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

Per NMAC 2.26.4.9, The Office of the State Treasurer will conduct a risk assessment of depository banks to determine collateral level requirements for financial institutions holding deposits of public money. According to the Office of the State Treasurer Quarterly Collateral Requirements report for June 30, 2016, the collateral requirement for Community 1st Bank - Las Vegas is 102% of the public entity's aggregate deposits that exceed the FDIC-insured maximum.

Cause

The Bank was unaware of the restriction of pledges to just Federal or the State of NM issued securities.

The District was not aware of the increased collateralization requirement for Community 1st Bank - Las Vegas

Effect

The District is not in compliance with NMAC 2.60.4 and is exposed to potential loss in the event of failure of the financial institution.

Recommendation

It is recommended that the District contact Community 1st Bank - Las Vegas and ensure that the collateral provided by the bank is on accordance with requirements and at the appropriate level as determined by the Office of the State Treasurer.

Response

Effective December 8, 2016, we have contacted Community 1st Bank - Las Vegas to ensure they are collateralizing at 102% per the State Treasurer's Office guidance. We received confirmation as of December 8, 2016, that the bank was increasing the coverage. Additionally, effective that same day, the bank released the out of state collateral and replaced it with in-state bonds. Based on these actions, we are in compliance with state statutes.

CURRENT YEAR FINDINGS

NONE

**STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2016**

B. EXIT CONFERENCE

The contents of the report for the Tierra Y Montes Soil and Water Conservation District were discussed on December 14, 2016. The following individuals were in attendance.

Tierra Y Montes Soil and Water Conservation District Officials

Rita Gallegos, Chairperson

Frances Martinez, District Manager

Integrity Accounting & Consulting Personnel

Erick Robinson, CPA, CFE Partner