

**STATE OF NEW MEXICO
UPPER HONDO
SOIL AND WATER CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2015
(With Independent Auditor's Report Thereon)**

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State of New Mexico
Upper Hondo Soil and Water Conservation District
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June 30, 2015

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**State of New Mexico
Upper Hondo Soil and Water Conservation District
Official Roster
June 30, 2015**

Board of Supervisors

Position

Jim Cooper

Chairperson

David Cox

Vice-Chairperson

Scott Daniel

Secretary/Treasurer

Robert Runnels

Supervisor

Troy Stone

Supervisor

Jack Valentine

Supervisor

Jason Price

Supervisor

District Personnel

Laura Johnson

Program Director

Stephanie Bason

Project Technician

Kristi Bonnell

Conservation Technician

Financial Section

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

Independent Auditor's Report

Tim Keller, New Mexico State Auditor
Chairperson, Members of the Board of Supervisors
Upper Hondo Soil & Water Conservation District
Capitan, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the government activities, the general fund and the respective budgetary comparison of the Upper Hondo Soil and Water Conservation District as of and for the year ended June 30, 2015, which collectively comprise District's basic financial statements as listed in the table of contents. We did not audit the Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Public Employee Retirement Association (PERA), the administrator of the cost sharing pension plan for the District. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the general fund, the budgetary comparison for the general fund of the Upper Hondo Soil and Water Conservation District as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

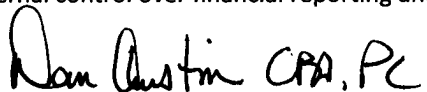
Our audit was conducted for the purpose of forming opinions on the Authority's financial statements and the budgetary comparisons. The other schedules as required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the other schedules as required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Accounting principles generally accepted in the United States of America require that the Schedules related to PERA and Net Pension Liabilities, listed as "Required Supplemental Information" in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, We have also issued a report dated December 10, 2015, on my consideration of Upper Hondo Soil and Water Conservation District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Upper Hondo Soil and Water Conservation District's internal control over financial reporting and compliance.



December 10, 2015

**STATE OF NEW MEXICO
UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 424,624
Loans Receivable	3,000
Taxes Receivable	11,995
Capital assets, Net	91,240
 Total Assets	 530,859
 Deferred Outflows	
Post Measurement Date Contributions	7,227
Total Deferred Outflows	7,227
 Total Assets and Deferred Outflows	 \$ 538,086
 Liabilities	
Current Liabilities	
Accounts Payable	\$ 1,617
Accrued Payroll	3,504
Payroll Tax Payable	4,307
Accrued Compensation	7,140
Current Long-Term Debt	13,080
Noncurrent liabilities:	
Pensions Payable	59,288
Long-Term Debt	49,601
 Total Liabilities	 138,537
 Deferred Inflows of Resources	
Unavailable Revenue	11,995
Related to Pensions	23,235
Total Deferred Inflows	35,230
 Net Position	
Net investment in capital assets	91,240
Restricted for Conservation Projects	144,990
Unrestricted	128,089
 Total Net Position	 364,319
 Total Assets, Deferred Inflows and Net Position	 \$ 538,086

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

**STATE OF NEW MEXICO
UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Governmental Activities
Program Expenses:	
Administration	\$ 546,628
Depreciation	8,954
Conservation Programs	42,831
Total program expenses	598,413
Program Revenues:	
Charges for services and sales	11,970
State operating grants and contracts	354,614
Federal operating grants and contracts	36,361
Other operating grants and contracts	53,994
Total program revenues	456,939
Net program (expense) revenue	(141,474)
General Revenues:	
State appropriation	14,741
Property taxes	247,624
Interest	763
Total general revenues	263,128
Change in net position	121,654
Net position at beginning of year, as originally stated	322,699
Restatement	(80,034)
Net position at beginning of year, as originally restated	242,665
Net Position at end of year	\$ 364,319

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

**STATE OF NEW MEXICO
UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 424,624
Loans Receivable	<u>3,000</u>
Total assets	<u><u>427,624</u></u>
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	1,617
Accrued Payroll	3,504
Payroll Taxes Payable	<u>4,307</u>
Total liabilities	<u>9,428</u>
Fund balance:	
Restricted for Conservation Grants	144,940
Unassigned	<u>273,256</u>
Total fund balance	<u>418,196</u>
Total liabilities and fund balance	<u><u>\$ 427,624</u></u>

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

STATE OF NEW MEXICO
UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS-
TO THE STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Amounts reported for governmental activities in the Statement of Net Position are different from the way they are reported in the Balance Sheet - Governmental Funds as follows:

Fund Balance - Balance Sheet - Government Funds	\$ 418,196
Capital Assets not reported in the government funds, and are reported net of accumulated depreciation	91,240
Deferred outflows and inflows or resources related to pensions are applicable to future periods and , therefore are not reported in funds:	
Deferred outflows of resources related to pensions	7,227
Deferred inflows of resources related to pensions	(23,235)
Accrued compensatiom not recorded in funds	(7,140)
Debt principal not recorded in the government funds and reported in the Statement of Net Position:	
Pension Payable	(59,288)
Notes Payable	<u>(62,681)</u>
Total Net Position - Statement of Net Position	<u><u>\$ 364,319</u></u>

The notes to the financial payments are an integral part of the financial

STATE OF NEW MEXICO
UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund
Revenues	
Mill Levy	\$ 247,624
State Allocation	14,741
Local Operating Grant -Weed Program	50,000
State Operating Grant - Water Trust Board	354,614
Federal Operating Grant - BLM	36,361
Product Sales	11,970
Miscellaneous Revenue	3,994
	719,304
Expenditures	
Current:	
Accounting and Professional Fees	2,101
Advertising	7,268
Meeting Expense	2,709
Audit	11,471
Bond/Insurance	3,286
Building Maintenance	2,116
Cost Share Projects	42,565
Education	447
Election	279
Personnel	152,657
Vehicle and Equipment Maintenance Operation	1,597
Membership and Dues	1,726
NMFA Payments	13,252
Office and Equipment Expense	8,138
Postage	477
Field Supplies	8,665
Travel and Per Diem	3,818
Training	883
Utilities	8,017
Conservation Expense	254,831
Grass Seed	3,626
Benevolence	1,217
Weed Management	68,974
	600,120
Excess (Deficiency) of Revenues Over Expenditures	119,184
Other Financing Sources (Uses)	
Interest Income	763
Net Other Financing Sources (Uses)	763
Net Change in Fund Balance	119,947
Fund balance beginning of year as reported	298,249
Fund balance end of year	\$ 418,196

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

**STATE OF NEW MEXICO
 UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES-
 AND CHANGES IN FUND BALANCE-GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Amounts reported for governmental activities in the Statement of Activities are different from the way they are reported in the Statement of Revenues, Expenditures and Changes in Fund Balance as follows:

Net Change in Fund Balance - Government Funds	\$	119,947
Depreciation expense		(8,954)
Change in Compensated Absences		(7,140)
Principal payments on debt reported as an expenditure in the government funds but recorded as reduction of debt in in the Statement of Net Posiion		13,063
Government 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:		
Cost /Benefits earned net of empolee contributions and plan earnings		<u>4,738</u>
Change in Net Position - Government Activities	\$	<u><u>121,654</u></u>

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

**STATE OF NEW MEXICO
UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND AND SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General Fund			Variance Favorable (Unfavorable)
	Budget	Final Budget	Actual	
Revenues				
Mill Levy	\$ 249,585	\$ 249,585	\$ 247,624	\$ (1,961)
State Allocation	13,100	13,100	14,741	1,641
Operating Grant -Weed Program	50,000	50,000	50,000	-
Operating Grant - Water Trust Board	353,000	353,000	354,614	1,614
Operating Grant - BLM	135,000	135,000	36,361	(98,639)
Product Sales	22,500	22,500	11,970	(10,530)
Loan Repayments	-	-	1,154	1,154
Miscellaneous Revenue	6,200	6,200	3,994	(2,206)
Interest Income	1,000	1,000	609	(391)
Total revenues	830,385	830,385	721,067	(109,318)
Expenditures				
Accounting and Professional Fees	3,000	3,000	2,101	899
Advertising	7,000	7,000	7,268	(268)
Loans to Carrizozo SWCD	3,000	3,000	3,000	-
Audit	13,000	13,000	11,471	1,529
Board Expense	1,000	1,000	1,642	(642)
Bond/Insurance	4,000	4,000	3,286	714
Building Maintenance	8,000	8,000	2,116	5,884
Cost Share Projects	50,000	50,000	42,565	7,435
Election	500	500	279	221
Education	3,200	3,200	447	2,753
Personnel	160,000	160,000	152,303	7,697
Vehicle and Equipment Maintenance Operation	6,500	6,500	1,597	4,903
Membership and Dues	2,000	2,000	1,726	274
NMFA Payments	14,000	14,000	13,252	748
Office and Equipment Expense	15,000	15,000	8,742	6,258
Postage	600	600	477	123
Field Supplies	11,000	11,000	8,665	2,335
Travel and Per Diem	75,000	75,000	3,818	71,182
Training	5,000	5,000	883	4,117
Utilities	8,000	8,000	8,436	(436)
Conservation Expense	405,900	405,900	254,831	151,069
Grass Seed	4,000	4,000	3,626	374
Benevolence	1,500	1,500	1,217	283
Weed Management	55,000	69,000	68,974	26
Total expenditures	856,200	870,200	602,722	\$ 267,478
Excess (Deficiency) of Revenues over Expenditures	(25,815)	(39,815)	118,345	
Cash Balance, Beginning	306,279	306,279	306,279	
Cash Balance, Ending	\$ 280,464	\$ 266,464	\$ 424,624	

Reconciliation of Cash Basis to GAAP Basis:

Cash Basis Excess (Deficiency) of Revenues over Expenditures	\$ 118,345
Change in Accounts Payable	(44)
Change in Receivables	2,000
Change in Payroll Tax Payable	88
Change in Accrued Payroll	(442)
GAAP Excess (Deficiency) Revenues over Expense	\$ 119,947

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

STATE OF NEW MEXICO
UPPER HONDO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, the District does not have any business-type activities; however it does apply applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) 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.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Grants are recognized as revenues when all applicable eligibility requirements imposed by the provider are met. Expenditures are generally 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.

The District reports the following major governmental funds:

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.

The special revenue funds are utilized to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. No special revenue funds are utilized as of June 30, 2015

As a general rule, the effect of interfund activity, if applicable, has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided such as grant administration fees and interest charged to land owners on loans for conservation projects, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment such as the Bureau of Reclamation (BOR) grant, Bureau of Land Management (BLM) grants, and various state and federal grants. Internally designated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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

D. Assets, Liabilities, and Net Position or Fund Balance

1. Cash, cash equivalent and investments

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.

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The District is also allowed to invest in United States Government obligations. All funds for the District must follow the above investment policies.

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

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

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

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. All amounts are expected to be repaid within one year.

The loans receivable balance is considered fully collectible therefore no allowance for uncollectible accounts had been established.

Property taxes attach an enforceable lien as of January 1. Taxes are payable in equal semi-annual installments on November 10 and April 10 of the subsequent year. The taxes become delinquent thirty days after the due date. The taxes are collected by the Lincoln and Chaves County Treasurer and are remitted to the District in the month following collection.

The District's accounts payable consist of amounts due to vendors and service providers such as subcontractors who have worked on conservation projects for the products purchased and service received in the current year but are paid for in the next fiscal year.

3. *Fund Balance*

In accordance with GASB Statement No. 54, fund balances are classified as non-spendable, restricted, committed, assigned or unassigned.

Non-Spendable

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the District's Board of Supervisors should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the District's Board of Supervisors removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The District did not have committed fund balances for the year ended June 30, 2015.

Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and amounts in the general fund that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent, and removal of, is expressed by the Board of Supervisors or the Finance Committee. The District did not have assigned fund balances for the year ended June 30, 2015.

Unassigned

The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

When committed, assigned, and unassigned resources are available for use, it is the District's policy to use committed first followed by followed by assigned and unassigned resources as they are needed.

4. *Net Position*

Net position is presented on the statement of net position and may be presented in any of three components.

Invested in capital assets, net of related debt

This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. That portion of the debt is included in restricted for

capital projects.

Restricted net position

Net position is reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Unrestricted net position

Unrestricted net position consists of net position that does not meet the definition of "invested in capital assets, net of related debt" or "restricted."

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

In the governmental environment, net position often is designated to indicate that management does not consider them to be available for general operations. In contrast to restricted net position, these types of constraints on resources are internal and management can remove or modify them however, enabling legislation established by the reporting government should not be construed as an internal constraint.

5. Capital Assets

Capital assets which include property and equipment (including software), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by state law as assets with an initial cost of \$5,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized.

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

Buildings	39 years
Vehicles	5 years
Office Equipment	5 years
Light Equipment	7 years
Computer Equipment	5 years

6. Compensated Absences

It is the District's policy to permit certain employees excluding the Program Director to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. 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 are due and payable at year end, for example, as a result of resignations and retirements.

According to District policy, employees accrue leave at six hours per month not to exceed 160 hours.

7. 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, statement of net position. Bond premiums and discounts, as well as issuance costs, are expensed in the period incurred. Bonds payable are reported net of the applicable bond premium or discounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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 capital projects expenditures.

8. Deferred Inflow/Outflows of Resources: GASB 63 amended previous guidance on Unearned Revenues in financial statements to include deferred outflow of resources which is the consumption of net assets by the government that is applicable to future reporting periods and deferred inflow of resources which is acquisition of net assets by the government that is applicable to future reporting periods.

9. 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.

10. 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.

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:

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.

The Board reviews the budget proposal and makes any necessary adjustments.

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.

Detailed Notes on all Funds

A. Cash

As of June 30, 2015, the District had a carrying amount of deposits as authorized by the New Mexico Constitution of \$424,624 in two financial institutions. The balances on deposit as of June 30, 2015 were \$425,364. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$740 and deposits of \$-0-. Deposits as of June 30, 2015 that were uninsured amounted to \$53,251 in one financial institutions. Two depositories pledged securities against uninsured deposits at June 30, 2015, however all deposits were insured by the FDIC.

The total bank balances consisted of the following:

Depository	Account Type	Fund Type	Balance Per Financial Statements	Reconciling Items		Balance Per Depository
				Outstanding Checks	Deposits	
Washington Fed	Checking	Operating	\$ 45,247	\$ -	\$ -	45,247
Washington Fed	Checking	Operating	76,866	-	-	76,866
City Bank NM	Checking	Operating	144,991	-	-	144,991
City Bank NM	Checking	Operating	21,675	740	-	22,415
City Bank NM	Checking	Operating	12,152	-	-	12,152
City Bank NM	Checking	Operating	123,693	-	-	123,693
Total cash on deposit			<u>\$ 424,624</u>	<u>\$ 740</u>	<u>\$ -</u>	<u>\$ 425,364</u>

Deposit requirements per NM Statutes:

Cusip	Collateral	Maturity	Rate	Par	Market Value
3620E0NW2	FHLMC Gold PC	8/20/2061	2.50%	\$ 50,000	\$ 40,553
781133B124	Ruid Mun SD	8/1/2016	2.00%	\$ 50,000	\$ 50,710
189414LD5	Clovis NM SD	3/1/2017	2.00%	\$ 50,000	51,063
	Total FMV of Collateral				142,326
	Total Deposits			\$ 425,364	
	Less: FDIC Insurance			(372,113)	
	Uninsured Deposits			53,251	
	Required Pledge			50%	26,626

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. The Authority does not have deposit policy for custodial credit risk. As of June 30, 2015, the District had no custodial credit risk on deposits.

B. Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Buildings and improvements	\$ 119,933	\$ -	\$ -	\$ 119,933
Vehicles and Equipment	52,896	-	-	52,896
Total capital assets being depreciated	172,829	-	-	172,829
Less accumulated depreciation for:				
Buildings and improvements	32,188	3,075	-	35,263
Vehicles and Equipment	40,447	5,879	-	46,326
Total accumulated depreciation	72,635	8,954	-	81,589
Total capital assets being depreciated, net	\$ 100,194	\$ (8,954)	\$ -	\$ 91,240

Depreciation recorded in the government wide financial statements was \$8,954

C. Long-Term Debt

The District has entered in four loan agreements to fund various needs of the District. All loans bear a 0% interest rate. Long-term obligations of the District are as follows:

	Maturity	Balance 6/30/14	Additions	(Reductions)	Balance 6/30/15	Due One Year
Note Payable						
NMFA - WTB #174	5/1/2014	\$ 27,075	\$ -	\$ (6,388)	\$ 20,687	\$ 5,425
NMFA - WTB #175	6/1/2019	13,538	-	(2,694)	10,844	2,701
NMFA - WTB #204	6/1/2019	35,131	-	(4,981)	30,150	4,994
Total Long-Term Obligations		\$ 75,744	\$ -	\$ (14,063)	\$ 61,681	\$ 13,120

The annual requirements to amortize principal on all debt outstanding as of June 30, 2015, are as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 13,120	\$ -	\$ 13,120
2017	14,144	-	14,144
2018	13,173	-	13,173
2019	13,082	-	13,082
2020	9,162	-	9,162
	\$ 62,681	\$ -	\$ 62,681

Other Information

A. Employee Retirement Benefits

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 (10-11 A-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, 2014 available at:

[http://vAvw.pera.state.nm.us/pdf/AuditFinancialStatements/366 Public Employees Retirement Association 2014.pdf](http://vAvw.pera.state.nm.us/pdf/AuditFinancialStatements/366%20Public%20Employees%20Retirement%20Association%202014.pdf).

Contributions. The contribution requirements of defined benefit plan members and the Upper Hondo 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 FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY 14

annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage options that apply to Upper Hondo Soil and Water Conservation District are Municipal General. Statutorily required contributions to the pension plan from the Upper Hondo Soil and Water Conservation District were \$7,227 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2015.

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

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

For PERA Fund Municipal General Division at June 30, 2015, the Upper Hondo Soil and Water Conservation District reported a liability of \$59,288 for its proportionate share of the net pension liability. At June 30, 2014, the Upper Hondo SWCD's proportion was .0076 %, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the Upper Hondo SWCD recognized PERA Fund Division State General Pension expense of \$ 7,227. At June 30, 2015, the Upper Hondo Soil and Water Conservation District reported PERA Fund Division-Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Out Flows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience Change in assumptions	\$ -	\$ 40
Net difference between projected and actual earning on pension investments	-	23,195
Changes in proportion and differences between Upper Hondo SWCD contributions and proportionate share of contributions	-	-
Upper Hondo SWCD contributions subsequent to the measurement	7,227	-
Total	\$ 7,227	\$ 23,235

\$7,227 reported as deferred outflows of resources related to pensions resulting from Upper Hondo Soil and Water Conservation District contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount Amortized
2016	\$5,809
2017	\$5,809
2018	\$5,809
2019	\$5,809
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, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	30-Jun-13
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage pay
Amortization period	Solved for based on statutory rebates
Asset Valuation method	Fair Value
Actuarial assumptions:	
Investment rate of return	7.75% annual rate, net of 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:

All Funds - Asset Class	Long-term Expected	
	Target Allocation	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 Sectors	5.0%	4.80%
Real Estate	5.0%	5.30%
Real Assets	7.0%	5.70%
Absolute Return	<u>4.0%</u>	4.15%
Total	<u>100.0%</u>	

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

Sensitivity of the Upper Hondo Soil and Water Conservation 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 Upper Hondo SWCD's employee's net pension liability in each PERA Fund Division that Upper Hondo Soil and Water Conservation 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.

	1% Decrease <u>6.75%</u>	Current Discount <u>Rate 7.75%</u>	1% Increase <u>8.75%</u>
Upper Hondo SWCD's proportionate share of the net pension liability	\$ 111,772	\$ 59,288	\$ 18,742

The District had no pensions payables as of June 30, 2015.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at: <http://www.pera.state.nm.us/publications.html>.

B. RETIREE HEALTH CARE ACT CONTRIBUTIONS

The Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico. As authorized under Section 9D of Chapter 6, Laws of 1990, the Authority has elected not to participate in the program. Information on the Retiree Health Care Act can be obtained at the Retiree Health Care, 4308 Carlisle Blvd. NE Ste 104, Albuquerque, NM 87109.

C. 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 surety bond on behalf of persons responsible for District assets. The District currently maintains a \$100,000 surety bond as well as commercial property coverage. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

D. SUBSEQUENT ACCOUNTING STANDARDS PRONOUNCEMENTS

Other accounting standards that Upper Hondo Soil and Water Conservation District is currently reviewing for applicability and potential impact on the financial statements include:

GASB 72, Fair Value Measurement and Application, This Statement addresses accounting and financial reporting issues related to fair value measurements. This definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ended June 30, 2016.

GASB 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68, this Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. This Statement will be effective for the year ended June 30, 2016.

GASB 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPKB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. This Statement will be effective for the year ended June 30, 2017.

GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, this Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by 1 employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPKB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans establishes new accounting and financial reporting requirements for OPKB plans. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPKB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPFB also are addressed. This Statement will be effective for the year ended June 30, 2018.

GASB 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ended June 30, 2016.

E. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period, and so will not be recognized as an outflow or resource (expenses/expenditures) until then.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The Government has two types of items, one of which arises under the full accrual basis of accounting and both of which arise under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item unavailable revenue, has reported in both the statement of net position and the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Government reports unavailable revenue from the following sources"

The District currently has Deferred Inflows and Outflows reported in the government funds. The District reports deferred outflows relating to pensions of \$7,227 in the government wide financial statements. The District reports deferred inflows relating to pensions of \$23,235 and property taxes of \$11,995.

F. EQUITY RESTATEMENT

The Authority restated its prior year Net position to record unrecorded pension liabilities in the amount \$80,034.

Supplemental Information

State of New Mexico
 Upper Hondo Soil and Water Conservation District
 Schedule of Vendor Information for Purchases Exceeding \$60,000
 For Fiscal Year Ended June 30, 2015

Prepared by Laura Johnson

<i>RFB#/RF P#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
None								

State of New Mexico
Upper Hondo Soil and Water Conservation District
Schedule of the Proportionate Share of the Net Pension Liability
Of Fund Division – Municipal General
Public Employees Retirement Association (PERA) Plan
June 30, 2015

	<u>2015</u>
Upper Hondo SWCD's Est portion of net pension liability (asset)	0.00760%
Upper Hondo SWCD proportionate share of the net pension liability (asset)	\$ 59,288
Upper Hondo SWCD's covered-employee payroll	\$ 96,720
Upper Hondo SWCD's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	61%
Plan fiduciary net position as a percentage of total pension liability	81.29%

**** The amounts presented were determined as of June 30, 2015. The Schedule is presented to illustrate the requirement to show information for 10 years. However, until all full 10 trend is compiled the Upper Hondo Soil and Water Conservation District will present information for those years for information which is available.**

State of New Mexico
Upper Hondo Soil and Water Conservation District
Schedule of Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Division – Municipal General
June 30, 2015

	<u>2015</u>
Contractually required contribution	\$ 7,227
Contributions in relation to the contractually required contribution	<u>(7,227)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Upper Hondo SWCD covered-employee payroll	\$ 96,720
Contributions as a percentage of covered payroll	7.47%

****This Schedule is presented to illustrate the requirement to show information for a full 10 years. However, until a full 10 year trend is complied the Upper Hondo SWCD will present information for those years for information which is available.**

State of New Mexico
Upper Hondo Soil and Water Conservation District
Notes to Required Supplemental Information
June 30, 2015

Changes in benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY 14 audit available at:

http://www.pera.state.n.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Changes in assumptions.

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation s June 30 2014 report is available at:

http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf

The Summary of Key findings for the PERA Fund (on page 2 of the report) states based on a recent experience study for the five year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to fund liabilities and an increase of .13% to the funded ratio. For details about changes in the actuarial assumptions see Appendix B on page 60 of the report.

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

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

Tim Keller, New Mexico State Auditor
Chairperson, Members of the Board of Supervisors
Upper Hondo Soil & Water Conservation District
PO Box 900
Capitan, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the budgetary comparison for the general fund of Upper Hondo Soil and Water Conservation District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Upper Hondo Soil and Water Conservation District's basic financial statements and have issued our report thereon dated December 10, 2015.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Upper Hondo Soil and Water Conservation District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

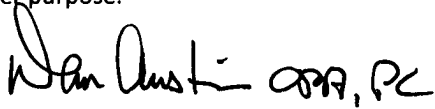
As part of obtaining reasonable assurance about whether Upper Hondo Soil and Water Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as item 2015-001.

The District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Upper Hondo Soil and Water Conservation District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

December 10, 2015
Ruidoso, New Mexico

**State of New Mexico
Upper Hondo Soil and Water Conservation District
Schedule of Audit Findings, Responses and Other Disclosures
June 30, 2015**

Financial Statements

Type of auditor's report issued: Unmodified

Internal Control Over Financial Reporting

Material weakness identified? No

Significant deficiencies identified not considered
To be material weakness? No

Compliance and Other Matters

Noncompliance material to the financial statements noted? No

RESOLUTION OF PRIOR YEAR FINDINGS

None

CURRENT YEAR FINDINGS

2015-001 Late Audit Report-Finding does not rise to the level of significant deficiency

Condition

The report was submitted timely on December 11, 2015, however the Office of the State Auditor rejected the report requiring corrections to the report.

Criteria

The 2015 State Audit Rules established a due date of December 15, 2015

Effect

The requirement to resubmit the report created a situation of noncompliance with the 2015 Audit Rule.

Cause

Oversight in preparation of the report by the Auditor.

Recommendation

Insure the report submitted to the New Mexico Office of the State Auditor is complete and in final form.

Response

The District will more thoroughly review and approve audit report submitted.

State of New Mexico
Upper Hondo Soil and Water Conservation District
Schedule of Audit Findings, Responses and Other Disclosures
June 30, 2015

FINANCIAL STATEMENT PREPARATION

Although it would be preferred and desirable for the District to prepare its own GAAP-based financial statements, it is felt that the District's personnel have neither the time to prepare them. Therefore, the outside auditor has prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report, however, the responsibility for the content of the report remains with District management.

EXIT CONFERENCE

On December 10, 2015, an exit conference was held at the District's administrative offices. Present were Scott Daniel, Secretary/Treasurer, Laura Johnson, Program Director, Dan Austin, CPA, representing the audit firm. The District's financial condition and report for the year ended June 30, 2015, was discussed as well as other financial reporting considerations.