

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER
CONSERVATION DISTRICT

COMPREHENSIVE FINANCIAL ANNUAL REPORT
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2012
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

KEYSTONE ACCOUNTING, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

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STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
June 30, 2012

BOARD OF SUPERVISORS

John Arrington	Chairperson
Norman Rudd	Vice-Chairperson
Vern Andrews	Secretary / Treasurer
Leo Pacheo	Supervisor
Paul Bandy	Supervisor
Frank Blackmar	Supervisor
DeAnne Wayne	Supervisor

DISTRICT PERSONNEL

Emma Deyo	District Clerk
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FINANCIAL SECTION

FISCAL YEAR 2012

JULY 1, 2011 THROUGH JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
The Board of Supervisors of
San Juan Soil and Water Conservation District

We have audited the accompanying financial statements of the governmental activities, the general fund, and the budgetary comparison for the general fund of the San Juan Soil and Water Conservation District, as of and for the year ended June 30, 2012, which collectively comprise San Juan Soil and Water Conservation District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of San Juan Soil and Water Conservation District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund and the budgetary comparison for the general fund of San Juan Soil and Water Conservation District, as of June 30, 2012, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2013, on our consideration of the San Juan Soil and Water Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not 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.

Hector H. Balderas, State Auditor
The Board of Supervisors of
San Juan Soil and Water Conservation District

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the budgetary comparison. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A- 133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The additional schedules listed as “other supplemental information” in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 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 our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Keystone Accounting, LLC

February 5, 2013
Farmington, NM

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

STATEMENT OF NET POSITION
June 30, 2012

	Governmental <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 696,614
Receivables:	
Grant	5,292
Non-current:	
Depreciable capital assets, net	<u>88,169</u>
Total assets	<u>790,075</u>
LIABILITIES	
Accounts payable	83,745
Accrued salaries	<u>3,262</u>
Total liabilities	<u>87,007</u>
NET POSITION	
Invested in capital assets, net of related debt	88,169
Unrestricted	<u>614,899</u>
Total net position	<u>\$ 703,068</u>

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

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

	Governmental <u>Activities</u>
PROGRAM EXPENSES	
Administration	\$ 149,495
Conservation	<u>695,076</u>
Total program expenses	<u>844,571</u>
PROGRAM REVENUES	
Charges for services	\$ 125,097
Operating grants and contributions	<u>1,227,800</u>
Total program revenues	<u>1,352,897</u>
Net program (expense) revenue	<u>508,326</u>
GENERAL REVENUES	
Interest	<u>525</u>
Change in net position	508,851
Net position - beginning	<u>194,217</u>
Net position - ending	<u>\$ 703,068</u>

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

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

GOVERNMENTAL FUND

Balance Sheet
June 30, 2012

	General <u>Fund</u>
ASSETS	
Cash and investments	\$ 696,614
Receivables:	
Grant	<u>5,292</u>
Total assets	<u>\$ 701,906</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 83,745
Accrued salaries	<u>3,262</u>
Total liabilities	87,007
Fund balance:	
Unassigned	<u>614,899</u>
Total liabilities and fund balance	<u>\$ 701,906</u>

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

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION

June 30, 2012

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

Fund balances - total governmental funds	\$ 614,899
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	173,090
Accumulated depreciation	<u>(84,921)</u>
Net position of governmental activities	\$ <u>703,068</u>

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

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

GOVERNMENTAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2012

	<u>General Fund</u>
Revenues:	
Federal sources:	
Federal grants	\$ 638,715
State sources:	
State grant	8,825
Local sources:	
County subsidy	5,000
Local grants	575,260
Fees and activities	125,097
Earnings from investments	<u>525</u>
Total revenue	<u><u>1,353,422</u></u>
 Expenditures:	
Current:	
Advertising/Legals	233
Annual meeting	1,608
Office	869
Bond insurance	126
Dues and subscriptions	1,010
Education	174
Professional fees	4,642
Per diem	1,325
Workshop/Training	540
Personnel	116,863
Conservation programs	695,076
Miscellaneous	<u>1,692</u>
Total expenditures	<u><u>824,158</u></u>
 Net change in fund balance	 529,264
 Fund balance at beginning of the year	 <u>85,635</u>
Fund balance at end of the year	<u><u>\$ 614,899</u></u>

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

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

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

Net change in fund balance - total governmental funds	\$ 529,264
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year	
Depreciation	<u>(20,413)</u>
Change in net assets of governmental activities	<u>\$ 508,851</u>

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

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

GENERAL FUND

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal sources:				
Federal grants	\$ 31,326	\$ 927,998	\$ 682,609	\$ (245,389)
State sources:				
State grant	17,495	257,729	8,825	(248,904)
Local sources:				
County subsidy	100,000	230,097	5,000	(225,097)
Local grants	18,135	94,290	575,260	480,970
Fees and activities	40	126,440	125,097	(1,343)
Earnings from investments	-	-	524	524
	-	-	524	524
Total revenues	166,996	1,636,554	1,397,315	(239,239)
Expenditures:				
Current:				
Advertising/Legals	-	1,000	233	767
Annual meeting	-	2,000	1,608	392
Office	-	-	869	(869)
Bond insurance	-	3,000	126	2,874
Dues and subscriptions	-	-	1,010	(1,010)
Education	-	500	174	326
Professional fees	6,000	14,000	4,642	9,358
Per diem	-	4,000	1,325	2,675
Workshop/Training	100	1,090	540	550
Personnel	9,754	126,804	116,863	9,941
Conservation programs	162,534	1,423,939	659,623	764,316
Miscellaneous	-	1,000	1,692	(692)
	59,163	46,524	-	46,524
Total expenditures	237,551	1,623,857	788,705	835,152
Excess (deficiency) of revenues over expenditures	(70,555)	12,697	608,610	595,914
Fund balance at beginning of the year	-	-	85,635	85,635
Fund balance at end of the year	\$ (70,555)	\$ 12,697	694,245	\$ 681,549
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			(43,894)	
Change in payables			(35,452)	
			\$ 614,899	

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

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Notes to the Financial Statements
June 30, 2012

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STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Notes to the Financial Statements
June 30, 2012

I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

San Juan Soil and Water Conservation District (District) is a government corporation organized under 1978 NMSA 73.20.25 through 73.20.49, the Soil and Water Conservation District Act, and as a subdivision of the State of New Mexico. The Board of Supervisors is the basic level of government, which consists of five elected and two appointed supervisors, four of whom must be landowners in the District, and has oversight responsibility and control over all activities related to the District. The District is located in Aztec, New Mexico and serves the San Juan County area for the purpose of 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 District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The District's financial statements include all entities over which the Board of Supervisors exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

GAAP requires that financial statements present the District (primary government) and its component units. The District has no component units that are required to be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 89, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*.

1. Blended Component Units

The District does not have any component units reported as blended component units.

2. Discretely Presented Component Units

The District does not have any component units reported as discretely presented component units.

The summary of significant accounting policies of the District is presented to assist in the understanding of the Association's financial statements. The financial statements and notes are the representation of San Juan Soil and Water Conservation District's management who is responsible for their integrity and objectivity. The financial statements of the District conform to 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 more significant of the government's accounting policies are described below.

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Notes to the Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements.

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*.

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, net of estimated refunds and estimated uncollectable amounts, in the year for which they are levied. Grants and similar items are recognized as revenue 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 both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following governmental fund:

General Fund – The government’s primary operating fund. It accounts for all financial resources of the general government.

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Notes to the Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Similar to private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, Liabilities, and Net Position or Equity

1. *Deposits 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 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.

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Notes to the Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

2. *Receivables and payables*

Under GASB Statement 33, assets from impressed non-exchange transactions are reported when the District has an enforceable legal claim to the asset. An allowance for refunds and uncollectible amounts has not been recorded.

3. *Capital assets*

Capital assets, which include property, plant, and equipment (software), are reported in the applicable governmental-wide financial statements. Beginning July 1, 2005, the threshold for defining Capital assets by the government was raised from \$1,000 to assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. Software costs have been included with the cost of computer equipment and are capitalized with that equipment. The District does not develop software for internal use or any other use.

Major outlays for capital assets are capitalized as projects are constructed. Interest on construction projects has not been capitalized.

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

<u>Assets</u>	<u>Years</u>
Farm equipment	10
Office equipment	5

4. *Compensated absences*

The District does not pay any amounts for unused leave upon termination.

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Notes to the Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

5. *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 deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

The District did not have any long-term debt as of June 30, 2012.

6. *Fund balance*

In 2011 the Conservation District adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (see Note I-E). In accordance with GASB Statement No. 54, fund balances are classified as non-spendable, restricted, committed, assigned or unassigned.

1. 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.

2. 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.

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Notes to the Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

3. 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, 2012.

4. 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, 2012.

5. 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 assigned and unassigned resources as they are needed.

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Notes to the Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

7. *Net position*

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

a. 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.

b. 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.

c. 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.

8. *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.

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Notes to the Financial Statements
June 30, 2012

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Budgets for the General Fund are prepared by management and are approved by the local Board of Supervisors and the New Mexico Department of Finance and Administration.

These budgets are prepared on the Non-GAAP cash basis and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget at the total fund level. The budget may be amended by the Board of Supervisors with the approval of New Mexico Department of Finance and Administration, Local Government Division (DFA-LGD).

D. Assets, Liabilities, and Net Position or Equity (continued)

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Budget Committee submits to the Board of Supervisors a proposed operating budget of the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to June 1, the budget is approved or adjusted and approved by the Board of Supervisors.
3. 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.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund.

The original budget and the final budget as amended for the year ended June 30, 2012 was as follows:

	<u>Original Budget</u>	<u>Final Budget</u>
General Fund	\$ 237,551	\$ 1,623,857

B. Budgetary Violations

There were no budgetary violations during the year ended June 30, 2012.

C. Deficit Fund Equity

There was not a deficit fund balance as of June 30, 2012.

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Notes to the Financial Statements
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2012, the carrying amount of the District's deposits was \$696,539 and the bank balance was \$756,961 with the difference consisting of outstanding checks. Of this balance \$756,961 was covered by federal depository insurance.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution. The statement listed below will meet the State of New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits. As of June 30, 2012, \$506,961 of the District's bank balance of \$756,961 was exposed to custodial risk as follows:

	Citizens
	<u>Bank</u>
Uninsured and uncollateralized	\$ 506,961
Uninsured and collateral held by pledging bank's trust dept not in the District's name	-
Total uninsured	506,961
Insured (FDIC)	250,000
Total deposits	<u>\$ 756,961</u>
State of New Mexico collateral requirement:	
50% of uninsured public fund bank deposits	\$ -
Pledged security	-
Over collateralization	<u>\$ -</u>

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the schools. Time deposits, savings deposits and interest bearing "Now" accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. Additionally, banks that are covered by the FDIC are insured for 100% of non-interest earnings accounts. The District's deposits with Citizens Bank qualified for this coverage.

**STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT**

Notes to the Financial Statements
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS (continued)

A. Cash and Temporary Investments (continued)

Detail of Cash Balances

<u>Account Name</u>	<u>Account Type</u>	<u>Interest Bearing</u>	<u>Bank Name</u>	<u>Bank Balance</u>
Main	Checking	Yes	Citizens Bank	\$ 133,679
Hydro Mulcher	Checking	Yes	Citizens Bank	80,099
Carl Chamblee	Checking	Yes	Citizens Bank	1,838
Billiton	Checking	Yes	Citizens Bank	500,054
CD	Certificate Deposit	Yes	Citizens Bank	10,329
CD	Certificate Deposit	Yes	Citizens Bank	10,329
CD	Certificate Deposit	Yes	Citizens Bank	10,317
CD	Certificate Deposit	Yes	Citizens Bank	5,158
CD	Certificate Deposit	Yes	Citizens Bank	5,158
				<u>\$ 756,961</u>
			Adjustments to cash:	
			Cash on hand	-
			Outstanding deposits	20,029
			Outstanding checks	<u>(80,451)</u>
			Total adjusted cash	<u>\$ 696,539</u>

B. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, being depreciated:					
Office equipment	\$ 1,748	\$ -	\$ -	\$ -	\$ 1,748
Farm equipment	171,342	-	-	-	171,342
Total capital assets being depreciated	<u>173,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,090</u>
Less accumulated depreciation for:					
Office equipment	(1,661)	(87)	-	-	(1,748)
Farm equipment	(62,847)	(20,326)	-	-	(83,173)
Total accumulated depreciation	<u>(64,508)</u>	<u>(20,413)</u>	<u>-</u>	<u>-</u>	<u>(84,921)</u>
Total capital assets being depreciated, net	<u>\$ 108,582</u>	<u>\$ (20,413)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,169</u>

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Notes to the Financial Statements
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS (continued)

B. Capital Assets (continued)

Depreciation has been allocated to the functions by the following amounts:

<u>Depreciation Allocation to Functions</u>	
Administration	\$ 350
Conservation programs	20,063
Total Depreciation Expense	<u>\$ 20,413</u>

The Schedule of Capital Assets Used by Source, and the Schedule of Changes in Capital Assets by Function and Activity have not been prepared because the detailed information is unavailable.

Construction commitments

The District is not involved in any construction projects. Interest on construction projects is not capitalized.

IV. OTHER INFORMATION

A. 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 \$5,000 fidelity bond on its District Clerk and Director and Board of Supervisors. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Notes to the Financial Statements
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS (continued)

C. Subsequent Events

Subsequent events were evaluated through February 5, 2013, which is the date the financial statements were available to be issued.

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SINGLE AUDIT SECTION

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**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**

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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

Hector H. Balderas, State Auditor
The Board of Supervisors of
San Juan Soil and Water Conservation District

We have audited the financial statements of the governmental activities, the general fund, and the budgetary comparison for the general fund of San Juan Soil and Water Conservation District as of and for the year ended June 30, 2012, and have issued our report thereon dated February 5, 2013. 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.

Internal Control Over Financial Reporting

Management of San Juan Soil and Water Conservation District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered San Juan Soil and Water Conservation District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Juan Soil and Water Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of San Juan Soil and Water Conservation District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. Findings 2012-01 and 2012 – 2. 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.

Hector H. Balderas, State Auditor
The Board of Supervisors of
San Juan Soil and Water Conservation District

Compliance and other matters

As part of obtaining reasonable assurance about whether agency'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 no instance of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We also noted a certain other matter that is required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and pursuant to Section 12-6- 5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as finding 2012 – 1 and 2012 – 2.

Management's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit management's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the San Juan Soil and Water Conservation District, New Mexico State Auditor, and the New Mexico State Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Keystone Accounting, LLC

February 5, 2013
Farmington, NM

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

Hector H. Balderas, State Auditor
The Board of Supervisors of
San Juan Soil and Water Conservation District

Compliance

We have audited San Juan Soil and Water Conservation District 's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement (Revised March 2011) that could have a direct and material effect on each of San Juan Soil and Water Conservation District's major federal programs for the year ended June 30, 2012. San Juan Soil and Water Conservation District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of San Juan Soil and Water Conservation District's management. Our responsibility is to express an opinion on San Juan Soil and Water Conservation District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about San Juan Soil and Water Conservation District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on San Juan Soil and Water Conservation District's compliance with those requirements.

In our opinion, San Juan Soil and Water Conservation District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2012-3C.

Internal Control Over Compliance

Management of San Juan Soil and Water Conservation District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered San Juan Soil and Water Conservation District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Juan Soil and Water Conservation District's internal control over compliance.

Hector H. Balderas, State Auditor
The Board of Supervisors of
San Juan Soil and Water Conservation District

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the San Juan Soil and Water Conservation District, the State Auditor, the New Mexico Legislature, New Mexico Public Education Department, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Keystone Accounting, LLC

February 5, 2013
Farmington, NM

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2012

A. PRIOR YEAR AUDIT FINDINGS

NOT RESOLVED

10 – 1 LATE AUDIT REPORT

Current Status: Not resolved. Repeated in the current year as finding 2012-01.

2011 – 2C LATE FILING OF FEDERAL CLEARING HOUSE REPORTING

Current Status: Not resolved. Repeated in the current year as finding 2012-01.

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of San Juan Soil and Water Conservation District.
2. There were two significant deficiency disclosed during the audit of the financial statements in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. The significant deficiency was not considered to be a material weakness.
3. There were no instances of noncompliance material to the financial statements of San Juan Soil and Water Conservation District disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of the major federal awards program in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for San Juan Soil and Water Conservation District expresses an unqualified opinion.
6. There were one audit findings relative to the major federal award programs for San Juan Soil and Water Conservation District that are required to be reported in accordance with OMB Circular A-133.510(a).
7. The programs treated as major programs include:
 - NW Riparian Hazardous Fuels Removal CFDA# 10.688.
 - Cooperative Forestry Assistance Grant CFDA# 10.664.
 - Fish, Wildlife and Plant Conservation Resource CFDA# 15.231.
 - Invasive and Noxious Plant Management CFDA# 15.230.
8. The threshold for distinguishing types A and B programs was \$300,000.
9. San Juan Soil and Water Conservation District was determined to be a high-risk auditee.

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

2011 – 1 LATE AUDIT SUBMISSION (original number 2011 – 1)

Significant Deficiency?

Yes

Material Weakness?

No

Internal Control?

Yes

Compliance?

No

Other Matter?

Yes

Condition: The June 30, 2012 audit report was not submitted and accepted by the New Mexico State Auditor’s Office by the due date of November 15, 2012.

Criteria: The New Mexico State Auditor has issued NMAC 2.2.2, Requirements for Contracting and Conducting Audits of Agencies, setting due dates for school audits to be in the office by November 15, 2012.

Effect of Condition: The report was not available for the state legislators and other state agencies to review on a timely basis.

Cause: The audit was not contracted for until after the due date of November 15, 2012.

Recommendation: We recommend communication with the New Mexico State Auditor’s Office to ensure that the audit contract is in place in time for the audit report to be submitted in a timely manner.

Management Response: The District understands that audits need to be completed by the appropriate time and will do their best to get the information required to complete future audits to the auditor on a timely basis so audits can be completed on time and submitted to the New Mexico State Auditor’s Office before the November 15th deadline.

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

2012 – 2 PUBLIC MONIES WERE NOT ADEQUATELY SECURED

<u>Significant Deficiency?</u>	<u>Material Weakness?</u>
Yes	No

<u>Internal Control?</u>	<u>Compliance?</u>	<u>Other Matter?</u>
Yes	No	Yes

Condition: The District had \$756,961 in bank accounts that were not backed by United States Government securities at June 30, 2012. This left the funds uninsured and uncollateralized.

Criteria: The districts are required allowed to temporarily invest deposits not immediately needed for operations in securities that are issued by the United States government, or by their departments or agencies, and are either direct obligations of the state or the United States or are backed by full faith and credit of those governments in accordance as per 1978 NMSA 22-8-40. Consequently this also resulted in a violation of 1978 NMSA 6-10-17, “Any bank or savings and loan association designated as a depository of public money shall deliver securities of the kind specified in Section 6-10-16 NMSA 1978 to a custodial bank described in Section 6-10-21 NMSA 1978 and shall then deliver a joint safekeeping receipt issued by the custodial bank to the public official from whom or the public board from which the public money is received for deposit. The securities delivered shall have an aggregate value equal to one-half the amount of public money to be received in accordance with Subsection B of Section 6-10-16 NMSA 1978. However, any such bank or savings and loan association may deliver a depository bond executed by a surety company as provided in Section 6-10-15 NMSA 1978 as security for any portion of a deposit of public money.”

Effect of condition: The District was exposed to potential loss of public monies and was in violation of 1978 NMAC 22-8-40 and 6-10-17.

Cause: The District did not inquire of the bank to receive pledged collateral for the cash balance.

Recommendation: The District should insure that the bank has pledged collateral for any funds over the FDIC.

Management’s response: The District understands that steps should have been taken to insure that funds trusted to the District should be protected and has taken steps to do that. The Citizens Bank has issued the District a pledge of securities in the amount of \$400,000.00 which will cover any losses over the 250,000 covered by FDIC. The Citizens Bank monitors the funds and reduces the pledge or adds to the pledge as account balances warrant.

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

C. AUDIT FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT
DEPARTMENT OF AGRICULTURE

NW Riparian Hazardous Fuels Removal CFDA# 10.866.
Cooperative Forestry Assistance Grant CFDA# 10.664.
Fish, Wildlife and Plant Conservation Resource CFDA# 15.231.
Invasive and Noxious Plant Management CFDA# 15.230.

2012 – 3C LATE FILING OF FEDERAL CLEARING HOUSE REPORTING (Original number 2011 – 2C)

Significant Deficiency?

Yes

Material Weakness?

No

Internal Control?

Yes

Compliance?

No

Other Matter?

Yes

Condition: The June 30, 2012 audit report and data collection form were sent to the Federal Clearing House after the due date of either 30 days after the date of the audit report or nine months after the year end.

Criteria: The OMB A-133 requires the Federal Clearing House Data Collection Form and the audit report be filed either one month after the date of the audit report release, or nine months after the year end.

Effect of Condition: The report was not available for the filing of the Federal Clearing House report on a timely basis.

Cause: Information required to complete the audit was not available from the District.

Recommendation: We recommend that all information be made available to the auditor on a timely basis.

Management's Response: The District will give due diligence to communicate with the New Mexico State Auditor's Office to ensure that the audit contract is in place in time for the audit report to be submitted in a timely manner.

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**SCHEDULE OF EXPENDITURES
OF
FEDERAL AWARDS**

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

<u>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
Pass-Through Program From:				
New Mexico Energy, Minerals, and Natural Resources:				
NW Riparian Hazardous Fuels Removal	10.688	EMN40185	\$ 130,151	\$ 130,151
Cooperative Forestry Assistance Grant	10.664	09-DG-11031600-084	<u>223,006</u>	<u>214,037</u>
Total U.S. Department of Agriculture			<u>353,157</u>	<u>344,188</u>
<u>Bureau of Land Management</u>				
Pass-Through Program From:				
New Mexico Association of Conservation Districts				
Fish, Wildlife and Plant Conservation Resource	15.231		73,687	73,687
Invasive and Noxious Plant Management	15.230	No11-1-1	<u>178,235</u>	<u>172,264</u>
Total U.S. Bureau of Land Management			<u>251,922</u>	<u>245,951</u>
<u>Environmental Protection Agency</u>				
Pass-Through Program From:				
New Mexico Environment Department				
Nonpoint Source Implementation Grants	66.460	11-667-5000-0027	<u>\$ 74,356</u>	<u>\$ 74,355</u>
Total U.S. Bureau of Land Management			<u>74,356</u>	<u>74,355</u>
Total Expenditures of Federal Awards			<u>\$ 679,435</u>	<u>\$ 664,494</u>

See accompanying notes to the
Schedule of Expenditures of Federal Awards.

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Notes To The Schedule Of Expenditures Of Federal Awards
Year Ended June 30, 2012

1. Scope of audit pursuant to OMB Circular A-133

All federal grant operations of San Juan Soil and Water Conservation District (the “District”) are included in the scope of the Office of management and Budget (“OMB”) Circular A-133 audit (the “Single Audit”). The Single Audit was performed in accordance with the provisions of the OMB Circular Compliance Supplement (Revised March 2012 the “Compliance Supplement”). Compliance testing of all requirements are described in the Compliance Supplement, was performed for the grants programs noted below. These programs represent all federal award programs and other grants with fiscal 2012 cash and non-cash expenditures to ensure coverage of at least 50% (HIGH risk auditee) of federally granted funds. Actual coverage is approximately 89% of total cash and non-cash federal award program expenditures. Total cash expenditures were in the amount of \$664,494 and all non-cash expenditures amounted to \$-0-.

Major Federal Award Program Description	Fiscal 2012 <u>Expenditure</u>
Cash assistance:	
NW Riparian Hazardous Fuels Removal	\$ 130,151
Cooperative Forestry Assistance Grant	214,037
Fish, Wildlife and Plant Conservation Resource	73,687
Invasive and Noxious Plant Management	<u>172,264</u>
Total	<u>\$ 590,139</u>

The District did not have any programs that were considered high risk Type A programs for the 2012 audit.

The U.S. Department of Agriculture is the District’s oversight agency for single audit.

2. Summary of significant accounting policies

Basis of presentation

The accompanying Schedule of Expenditure of Federal Awards includes all federal grants to the District that had activity during the fiscal year ended June 30, 2012. This Statement has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the District has met the qualifications for the respective grant.

Accrued and deferred reimbursements

Various reimbursement procedures are used for Federal awards received by the District. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year end represent an excess of reimbursable expenditures over receipts to date. Deferred balance at year-end represents an excess of cash receipts over reimbursable expenditure to date. Generally, accrued or deferred balances covered by differences in the timing of cash receipts and expenditures will be reversed in the remaining grant period.

3. Audits performed by other entities

There were no other audits performed by other organizations on the Districts federal grant programs in 2012.

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REQUIRED DISCLOSURE

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STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

REQUIRED DISCLOSURES
Year Ended June 30, 2012

REQUIRED DISCLOSURE

The financial statements were prepared by the independent public accountants.

An exit conference was held February 7, 2013, during which the audit findings were discussed. The exit conference was attended by the following individuals:

SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Vern Andrews
Emma Deyo

Secretary/Treasurer
District Clerk

KEYSTONE ACCOUNTING, LLC

Terry Ogle, CPA

Partner