

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

COMPREHENSIVE FINANCIAL ANNUAL REPORT
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2016
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



ACCOUNTING & FINANCIAL
SOLUTIONS
CERTIFIED PUBLIC ACCOUNTANTS

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

Year Ended June 30, 2016

INTRODUCTORY SECTION

	Title Page
iii	Table of Contents
1	Official Roster

FINANCIAL SECTION

5	Independent Auditors' Report
---	------------------------------

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements:

8	Statement of Net Position
9	Statement of Activities

Fund Financial Statements:

10	Balance Sheet – Governmental Funds
11	Reconciliation of the Balance Sheet – All Governmental Funds to the Statement of Net Position
12	Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
13	Reconciliation of the Statement of Revenue, Expenditures, and Changes In Fund Balance – All Governmental Funds to the Statement of Activities

Major Funds:

	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):
14	General Fund

Notes to the Financial Statements

15	Contents
16	Note I Summary of Significant Accounting Policies
25	Note II Stewardship, Compliance, and Accountability
26	Note III Detailed Notes On All Funds
28	Note IV Other Information

OTHER SUPPLEMENTAL INFORMATION

31	Schedule of Pledged Collateral
32	Schedule of Vendor Procurement

COMPLIANCE SECTION

35	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
37	Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance
40	Schedule of Expenditures of Federal Awards
41	Notes to the Schedule of Expenditures of Federal Awards
42	Schedule of Findings and Questioned Costs
43	Summary Schedule of Prior Year Audit Findings
44	Required Disclosure

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
June 30, 2016

BOARD OF SUPERVISORS

John Arrington	Chairperson
Casey Spradley	Vice-Chairperson
Ralph Fenton	Secretary / Treasurer
Vern Andrews	Supervisor
Leo Pacheco	Supervisor
Carol Cloer	Supervisor
Deanne McKee	Supervisor

DISTRICT PERSONNEL

Melissa May	Interim District Coordinator
-------------	------------------------------

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

FISCAL YEAR 2016

JULY 1, 2015 THROUGH JUNE 30, 2016

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITORS' REPORT

Tim Keller, State Auditor, and
The Board of Supervisors of
San Juan Soil and Water Conservation District

Report on the Financial Statements

We have audited the accompanying 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, 2016, and the related notes to the financial statements, which collectively comprise San Juan Soil and Water Conservation District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 San Juan Soil and Water Conservation District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund and the budgetary comparison for the general fund of San Juan Soil and Water Conservation District, as of June 30, 2016, 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.

Tim Keller, State Auditor, and
The Board of Supervisors of
San Juan Soil and Water Conservation District

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Juan Soil and Water Conservation District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other schedules required by 2.2.2.NMAC are presented for purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures and other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 our report dated October 18, 2016 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 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 San Juan Soil and Water Conservation District's internal control over financial reporting and compliance.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
October 18, 2016

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

STATEMENT OF NET POSITION
June 30, 2016

	<u>Primary Government</u> Governmental <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 595,221
Receivables:	
Grant	44,174
Non-current:	
Depreciable capital assets, net	<u>57,584</u>
Total assets	<u>696,979</u>
 LIABILITIES	
Accounts payable	31,067
Accrued salaries	<u>8,632</u>
Total liabilities	<u>39,699</u>
 NET POSITION	
Net investment in capital assets	57,584
Restricted for:	
Unrestricted	<u>599,696</u>
Total net position	<u><u>\$ 657,280</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

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

PROGRAM EXPENSES	
Administration	\$ 218,593
Conservation	<u>1,883,087</u>
Total program expenses	<u>2,101,680</u>
PROGRAM REVENUES	
Charges for services	299,970
Operating grants and contributions	<u>1,811,959</u>
Total program revenues	<u>2,111,929</u>
<i>Net program (expense) revenue</i>	10,249
GENERAL REVENUES	
Interest	<u>105</u>
<i>Change in net position</i>	10,354
Net position - beginning	<u>646,926</u>
Net position - ending	<u>\$ 657,280</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, 2016

Assets

Cash and investments	\$	595,221
Receivables:		
Grant		<u>44,174</u>
Total assets	\$	<u>639,395</u>

Liabilities and fund balance

Liabilities:		
Accounts payable	\$	31,067
Accrued salaries		<u>8,632</u>
Total liabilities		39,699
Fund balance:		
Unassigned		<u>599,696</u>
Total liabilities and fund balance	\$	<u>639,395</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, 2016

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

Fund balances - total governmental funds	\$ 599,696
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	179,199
Accumulated depreciation	<u>(121,615)</u>
Net position of governmental activities	<u>\$ 657,280</u>

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

GOVERNMENTAL FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance
Changes in Fund Balance
Year Ended June 30, 2016

Revenues:

Federal sources:	
Intergovernmental - federal grants	\$ 766,542
State sources:	
Intergovernmental - state grants	819,043
Local sources:	
Contributions - private grants	222,616
Charges for services	133,383
Miscellaneous	<u>170,450</u>
Total revenue	<u>\$ 2,112,034</u>

Expenditures:

Current:	
Advertising/Legals	\$ 699
Annual meeting	1,757
Office	3,785
Bond insurance	126
Dues and subscriptions	420
Education	938
Professional fees	10,285
Per diem	4,075
Workshop/Training	1,095
Personnel	170,642
Conservation programs	1,883,087
Miscellaneous	<u>5,005</u>
Total expenditures	<u>\$ 2,081,914</u>

<i>Excess (deficiency) of revenues over expenditures</i>	30,120
--	--------

Fund balance at beginning of the year	<u>569,576</u>
Fund balance at end of the year	<u>\$ 599,696</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, 2016

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

Net change in fund balance - total governmental funds	\$ 30,120
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>(19,766)</u>
Change in net position of governmental activities	<u>\$ 10,354</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
Federal grants	\$ 1,227,901	\$ 1,227,901	\$ 761,859	\$ (466,042)
State grant	671,370	671,370	985,699	314,329
Local grants	270,260	270,260	285,859	15,599
Fees and activities	13,600	13,600	133,383	119,783
Miscellaneous	<u>175,000</u>	<u>175,000</u>	<u>166,450</u>	<u>(8,550)</u>
Total revenues	<u>2,358,131</u>	<u>2,358,131</u>	<u>2,333,250</u>	<u>(24,881)</u>
Expenditures:				
Current:				
Advertising/Legals	2,500	2,500	699	1,801
Annual meeting	2,500	2,500	1,757	743
Office	5,000	5,000	4,047	953
Bond insurance	126	126	126	-
Dues and subscriptions	1,100	1,100	420	680
Education	1,500	1,500	938	562
Professional fees	13,000	13,000	10,285	2,715
Per diem	6,000	6,000	3,623	2,377
Workshop/Training	570	570	1,095	(525)
Personnel	230,000	230,000	178,098	51,902
Conservation programs	1,951,419	1,951,419	1,972,553	(21,134)
Miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>5,068</u>	<u>(2,068)</u>
Total expenditures	<u>2,216,715</u>	<u>2,216,715</u>	<u>2,178,709</u>	<u>38,006</u>
<i>Excess of revenues over expenditures</i>	141,416	141,416	154,541	13,125
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>569,576</u>	<u>569,576</u>
Fund balance at end of the year	<u>\$ 141,416</u>	<u>\$ 141,416</u>	<u>724,117</u>	<u>\$ 582,701</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			(135,785)	
Change in accrued liabilities			<u>-</u>	
Fund balance at end of the year (GAAP basis)			<u>\$ 599,696</u>	

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE	PAGE
I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES	
A. Reporting Entity	16
1. Blended Component Units	
2. Discretely Presented Component Units	
B. Government-Wide and Fund Financial Statements	16
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	17
1. Major Funds	21
D. Assets, Liabilities, and Net Position or Equity	21
II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	
A. Budgetary Information	25
B. Budgetary Violations	25
C. Deficit Fund Equity	25
III. DETAILED NOTES ON ALL FUNDS	
A. Cash and Temporary Investments	26
B. Capital Assets	27
IV. OTHER INFORMATION	28

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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.

Generally Accepted Accounting Principles (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. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*.

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.

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*.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

During fiscal year 2016, San Juan Soil and Water Conservation District adopted the following GASB Statements:

- GASB 72, *Fair Value Measurement and Application*, This Statement addresses accounting and financial reporting issues related to fair value measurements. The 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.
- 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.
- 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.
- GASB 79, *Certain External Investment Pools and Pool Participants*, this Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool’s participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool’s participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2015 (FYE June 30, 2016), except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015 (FYE June 30, 2017). Earlier application is encouraged.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

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

- 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 OPEB 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 Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB 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 OPEB plans. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, 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 OPEB also are addressed. This Statement will be effective for the year ended June 30, 2018.
- GASB 77, Tax Abatement Disclosures, financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as inter-period equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients

The gross dollar amount of taxes abated during the period

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements
- The specific taxes being abated
- The gross dollar amount of taxes abated during the period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015 (FYE June 30, 2017). Earlier application is encouraged.

- GASB 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, the objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015 (FYE June 30, 2017). Earlier application is encouraged.

- GASB 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14, the objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016 (FYE June 30, 2017). Earlier application is encouraged.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

- GASB 81, Irrevocable Split-Interest Agreements, The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016 (FYE June 30, 2018), and should be applied retroactively. Earlier application is encouraged.

- GASB 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73, the objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016 (FYE June 30, 2017), except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017 (FYE June 30, 2018). Earlier application is encouraged.

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. Revenues received during the year but are applicable to subsequent years are reported as deferred inflows of resources. 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. Expenditures incurred during the year that are for the benefit of subsequent years are reported as deferred outflows of resources.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

D. Assets, Liabilities, and Net Position or Equity (cont'd)

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.

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 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.

The District did not have any long-term debt as of June 30, 2016.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

D. Assets, Liabilities, and Net Position or Equity (cont'd)

6. *Fund balance*

In 2012 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.

a. 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.

b. 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.

c. 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, 2016.

d. 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, 2016.

e. 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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

D. Assets, Liabilities, and Net Position or Equity (cont'd)

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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).

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, 2016 was as follows:

	<u>Original Budget</u>	<u>Final Budget</u>
General Fund	<u>\$ 2,216,715</u>	<u>\$ 2,216,715</u>

B. Budgetary Violations

There were no budgetary violations during the year ended June 30, 2016.

C. Deficit Fund Equity

There was not a deficit fund balance as of June 30, 2016.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2016, the carrying amount of the District's deposits was \$595,221 and the bank balance was \$626,609 with the difference consisting of outstanding checks. Of this balance \$250,000 was covered by federal depository insurance and \$376,609 was covered by collateral held in joint safekeeping by a third party.

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, 2016, none of the District's bank balance of \$626,609 was exposed to custodial risk as follows:

		<u>Citizens Bank</u>
Uninsured and uncollateralized	\$	-
Uninsured and collateral held by pledging bank's trust dept not in the District's name		376,609
Total uninsured		376,609
Insured (FDIC)		250,000
Total deposits	\$	626,609
State of New Mexico collateral requirement:		
50% of uninsured public fund bank deposits	\$	188,305
Pledged security		400,000
Over collateralization	\$	211,695

Pledged collateral of financial institutions consists of the following at June 30, 2016

<u>Citizens Bank:</u>	<u>Maturity</u>	<u>CUSIP No.</u>	<u>Market Value</u>
FHLB	2/15/2030	489350RN0	\$ 400,000

The above securities are held at Federal Home Loan Bank in Dallas, TX.

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

III. DETAILED NOTES ON ALL FUNDS (cont'd)

A. Cash and Temporary Investments (cont'd)

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	\$ 333,708
Hydro Mulcher	Checking	Yes	Citizens Bank	18,921
Carl Chamblee	Checking	Yes	Citizens Bank	2,012
Billiton	Checking	Yes	Citizens Bank	230,359
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
E-Funds	E-Funds	Yes	Citizens Bank	<u>318</u>
				<u>\$ 626,609</u>
Adjustments to cash:				
			Cash on hand	-
			Outstanding deposits	-
			Outstanding checks	<u>(31,388)</u>
			Total adjusted cash	<u><u>\$ 595,221</u></u>

B. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, being depreciated				
Office equipment	\$ 1,748	\$ -	\$ -	\$ 1,748
Farm equipment	<u>177,451</u>	<u>-</u>	<u>-</u>	<u>177,451</u>
Total capital assets being depreciated	<u>179,199</u>	<u>-</u>	<u>-</u>	<u>179,199</u>
Less accumulated depreciation for:				
Office equipment	1,748	-	-	1,748
Farm equipment	<u>100,101</u>	<u>19,766</u>	<u>-</u>	<u>119,867</u>
Total accumulated depreciation	<u>101,849</u>	<u>19,766</u>	<u>-</u>	<u>121,615</u>
Total capital assets being depreciated, net	<u>\$ 77,350</u>	<u>\$ (19,766)</u>	<u>\$ -</u>	<u>\$ 57,584</u>

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

<u>Depreciation Allocation to Functions</u>	
Administration	\$ -
Conservation programs	<u>19,766</u>
Total Depreciation Expense	<u><u>\$ 19,766</u></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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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.

C. Subsequent Events

Subsequent events were evaluated through October 18, 2016, which is the date the financial statements were available to be issued.

OTHER SUPPLEMENTAL INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2016

	<u>Citizens Bank</u>
Cash on deposit at June 30, 2016	\$ 626,609
Less FDIC coverage	<u>250,000</u>
Uninsured funds	<u>\$ 376,609</u>
50% collateral requirement	\$ 188,305
Pledged collateral	<u>400,000</u>
Excess (deficiency) of pledged collateral	<u>\$ 211,695</u>

Pledged collateral of financial institutions consists of the following at June 30, 2016

Citizens Bank	<u>Maturity</u>	<u>CUSIP #</u>	<u>Market Value</u>
FHLB	2/15/2030	489350RN0	<u>\$ 400,000</u>

The above securities are held at Federal Home Loan Bank Dallas, TX

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF VENDOR INFORMATION
(Individual Purchases in Exceeding \$60,000, Excluding Gross Receipts Tax)
Year Ended June 30, 2016

Agency Number	Agency Name	Agency Type	RFB#/RFP# (If applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	
8036	San Juan Soil & Water Conservation District	Soil & Water Conservation Districts		Masticating, extraction & chipping of Russian Olive & Salt-Cedar	Competitive (RFP or RFB)	Excel Excavating	Winner	\$201,312.00	\$360,391.00	P.O. Box 26, Hernandez, NM 87537	Yes	No	Furnishing labor, equipment, supplies, and materials to extract Russian-Olive and Salt Cedar.
8036	San Juan Soil & Water Conservation District	Soil & Water Conservation Districts		Masticating, extraction & chipping of Russian Olive & Salt-Cedar	Competitive (RFP or RFB)	Miami Land Clearing	Winner	\$194,407.00	\$412,727.00	P.O. Box 2985, Kirtland, NM 87417	Yes	No	Furnishing labor, equipment, supplies, and materials to extract Russian-Olive and Salt Cedar.
8036	San Juan Soil & Water Conservation District	Soil & Water Conservation Districts		Masticating, extraction & chipping of Russian Olive & Salt-Cedar	Competitive (RFP or RFB)	Forestry Fitness	Winner	\$328,715.00	\$328,715.00	6 Tall Pinons, Tijeras, NM 87059	Yes	No	Furnishing labor, equipment, supplies, and materials to extract Russian-Olive and Salt Cedar.
8036	San Juan Soil & Water Conservation District	Soil & Water Conservation Districts		Masticating, extraction & chipping of Russian Olive & Salt-Cedar	Competitive (RFP or RFB)	Ace Services	Loser	n/a	n/a	1149 S. Main Ave., Aztec, NM 87410	Yes	No	Furnishing labor, equipment, supplies, and materials to extract Russian-Olive and Salt Cedar.
8036	San Juan Soil & Water Conservation District	Soil & Water Conservation Districts		Aerial Sagebrush Treatment	Competitive (RFP or RFB)	North Star Helicopters	Winner	\$187,358.00	\$187,358.00	P.O. Box 2010 Jasper, TX 75951	No	No	Complete an aerial application treatment up to 14,893 acres with pelleted tebuthiuron within the counties of San Juan, Sandoval, and Rio Arriba in New Mexico.
8036	San Juan Soil & Water Conservation District	Soil & Water Conservation Districts		Aerial Sagebrush Treatment	Competitive (RFP or RFB)	Heinen Brothers Agra Services	Loser	n/a	n/a	1226 104th Rd., Senca, KS 66538	No	No	Complete an aerial application treatment up to 14,893 acres with pelleted tebuthiuron within the counties of San Juan, Sandoval, and Rio Arriba in New Mexico.
8036	San Juan Soil & Water Conservation District	Soil & Water Conservation Districts		Aerial Sagebrush Treatment	Competitive (RFP or RFB)	M&M Air Services of Beaumont	Loser	n/a	n/a	12895 Hwy 124, Beaumont, TX 77705-7112	No	No	Complete an aerial application treatment up to 14,893 acres with pelleted tebuthiuron within the counties of San Juan, Sandoval, and Rio Arriba in New Mexico.

COMPLIANCE SECTION

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

§

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of Federal Awards
Required by Uniform Guidance

§

Schedule of Expenditures of Federal Awards
Notes to the Schedule of Expenditures of Federal Awards

§

Schedule of Findings and Questioned Costs:
Summary of Auditor's Results
Financial Statement Findings
Federal Award Findings

§

Summary Schedule of Prior Year Audit Findings

§

Required Disclosure

THIS PAGE INTENTIONALLY LEFT BLANK

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

INDEPENDENT AUDITORS' REPORT

Tim Keller, State Auditor, and
The Board of Supervisors of
San Juan Soil and Water Conservation District

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 San Juan Soil and Water Conservation District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise San Juan Soil and Water Conservation District's basic financial statements and have issued our report thereon dated October 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered San Juan 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 San Juan Soil and Water Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of San Juan 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 San Juan 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.

Tim Keller, State Auditor, and
The Board of Supervisors of
San Juan Soil and Water Conservation District

Compliance and other matters

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

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 San Juan 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.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
October 18, 2016



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Tim Keller, State Auditor, and
The Board of Supervisors of
San Juan Soil and Water Conservation District

Report on Compliance for Each Major Federal Program

We have audited San Juan Soil and Water Conservation District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that 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, 2016. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San Juan Soil and Water Conservation District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of San Juan Soil and Water Conservation District's compliance.

Opinion on Each Major Federal Program

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, 2016.

Tim Keller, State Auditor, and
The Board of Supervisors of
San Juan Soil and Water Conservation District


Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered San Juan Soil and Water Conservation District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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.

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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Farmington, New Mexico
October 18, 2016

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, 2016

<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:				
Forest Health Protection	10.680	12-521-0410000000-0157	\$ -	\$ 8,269
Cooperative Forestry Assistance Grant	10.664	09-DG-11031600-084	<u>387,993</u>	<u>382,801</u>
Total U.S. Department of Agriculture			<u>387,993</u>	<u>391,070</u>
<u>Bureau of Land Management</u>				
Direct Program:				
BLM Road Program	15.225		85,139	90,266
Pass-Through Program From:				
New Mexico Association of Conservation Districts				
Jicarilla Ranger District	14.522-015		24,044	29,400
Fish, Wildlife and Plant Conservation Resource	15.231	No12-1-1	168,095	168,775
Invasive and Noxious Plant Management	15.230	No11-1-1	<u>96,588</u>	<u>98,746</u>
Total U.S. Bureau of Land Management			<u>373,866</u>	<u>387,187</u>
Total Expenditures of Federal Awards			<u>\$ 761,859</u>	<u>\$ 778,257</u>

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

1. Scope of audit pursuant to OMB Uniform Guidance

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") Uniform Grant Guidance audit (the "Single Audit"). The Single Audit was performed in accordance with the provisions of the OMB Circular Compliance Supplement (Revised August 2016) the "Compliance Supplement." Compliance testing of all requirements are described in the OMB Uniform Guidance, was performed for the grants programs noted below. These programs represent all federal award programs and other grants with fiscal 2016 cash and non-cash expenditures to ensure coverage of at least 20% (LOW risk auditee) of federally granted funds. Actual coverage is approximately 49% of total cash and non-cash federal award program expenditures. Total cash expenditures were in the amount of \$762,721 and all non-cash expenditures amounted to \$-0-

Major Federal Award Program Description	Fiscal 2016 <u>Expenditure</u>
Cash assistance:	
Cooperative Forestry Assistance Grant	<u>\$ 382,801</u>

The District did not have a program that was considered high risk Type A program for the 2016 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 Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Grant Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position and changes in net position of the District. All federal programs considered active during the year ended June 30, 2016, are reflected on the Schedule. An active federal program is defined as a federal program for which there were receipts or disbursements of funds or accrued (deferred) grant revenue adjustments during the fiscal year or a federal program considered as not completed or closed out at the beginning of the fiscal year. The Schedule is prepared using the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the District has met the qualifications for the respective grant. In addition, there is no federal insurance in effect during the year and loan or loan guarantee outstanding at year end.

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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2016

I. SUMMARY OF AUDIT RESULTS

	<u>Yes</u>	<u>No</u>	<u>Occurrences</u>
FINANCIAL STATEMENTS:			
Type of auditor's report issued: <u>Unmodified</u>			
Internal control over financial reporting:			
Material weakness(es) identified?	—	✓	—
Significant Deficiency(ies) identified?	—	✓	—
Noncompliance material to financial statements noted?	—	✓	—
FEDERAL AWARDS:			
Internal control over major programs:			
Material weakness(es) identified?	—	✓	—
Significant Deficiency(ies) identified?	—	✓	—
Type of auditor's report issued on compliance with major programs: <u>Unmodified</u>			
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance?	—	✓	—
The programs treated as major programs include:			
<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>		
Cooperative Forestry Assistance Grant	10.664		
The threshold for distinguishing types A and B programs: <u>\$750,000</u>			
Auditee qualified as low-risk auditee?	✓	—	

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

There were no findings required to be reported relating to the financial statements.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings required to be reported relating to federal awards.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2016

I. RESOLVED

There were no findings from the prior year to be reported.

II. NOT RESOLVED

There were no findings from the prior year to be reported.

REQUIRED DISCLOSURES

Year Ended June 30, 2016

The financial statements were prepared by the independent public accountants.

An exit conference was held October 31, 2016, during which the audit findings were discussed. The exit conference was attended by the following individuals:

SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Richard Fenton	Secretary/Treasurer
Melissa May	District Coordinator

ACCOUNTING & FINANCIAL SOLUTIONS, LLC

Terry Ogle, CPA	Partner
-----------------	---------