

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

FINANCIAL ANNUAL REPORT
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2017
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



ACCOUNTING & FINANCIAL
SOLUTIONS
CERTIFIED PUBLIC ACCOUNTANTS

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
June 30, 2017

BOARD OF SUPERVISORS

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

DISTRICT PERSONNEL

Melissa May	District Coordinator
Kristi Gunter	Business Manager

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FINANCIAL SECTION

FISCAL YEAR 2017

JULY 1, 2016 THROUGH JUNE 30, 2017

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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, 2017, 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, 2017, 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 September 25, 2017 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
September 25, 2017

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

STATEMENT OF NET POSITION
June 30, 2017

	<u>Primary Government</u> Governmental <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 575,901
Receivables:	
Grant	6,626
Non-current:	
Depreciable capital assets, net	<u>49,186</u>
Total assets	<u>631,713</u>
 LIABILITIES	
Accounts payable	47,367
Accrued salaries	<u>5,932</u>
Total liabilities	<u>53,299</u>
 NET POSITION	
Net investment in capital assets	49,186
Restricted for:	
Unrestricted	<u>529,228</u>
Total net position	<u><u>\$ 578,414</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, 2017

PROGRAM EXPENSES	
Administration	\$ 228,871
Conservation	<u>1,383,767</u>
Total program expenses	<u>1,612,638</u>
PROGRAM REVENUES	
Charges for services	237,188
Operating grants and contributions	<u>1,290,401</u>
Total program revenues	<u>1,527,589</u>
<i>Net program (expense) revenue</i>	<u>(85,049)</u>
GENERAL REVENUES	
Loss on disposition of assets	(13,854)
Interest	<u>112</u>
Total General Revenues	<u>(13,742)</u>
<i>Change in net position</i>	<u>(98,791)</u>
Net position - beginning	657,280
Restatement	<u>19,925</u>
Net position - as restated	<u>677,205</u>
Net position - ending	<u>\$ 578,414</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, 2017

Assets	
Cash and investments	\$ 575,901
Receivables:	
Grant	<u>6,626</u>
Total assets	<u>\$ 582,527</u>
 Liabilities and fund balance	
Liabilities:	
Accounts payable	\$ 47,367
Accrued salaries	<u>5,932</u>
Total liabilities	53,299
 Fund balance:	
Unassigned	<u>529,228</u>
Total liabilities and fund balance	<u>\$ 582,527</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, 2017

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

Fund balances - total governmental funds	\$ 529,228
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	98,689
Accumulated depreciation	<u>(49,503)</u>
Net position of governmental activities	<u>\$ 578,414</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, 2017

Revenues:

Federal sources:	
Intergovernmental - federal grants	\$ 444,126
State sources:	
Intergovernmental - state grants	678,819
Local sources:	
Contributions - private grants	275,411
Charges for services	16,926
Miscellaneous	<u>112,419</u>
Total revenue	<u>\$ 1,527,701</u>

Expenditures:

Current:	
Advertising/Legals	\$ 912
Annual meeting	2,081
Office	4,555
Bond insurance	126
Dues and subscriptions	1,375
Education	1,479
Professional fees	39,404
Per diem	6,818
Workshop/Training	2,242
Personnel	142,949
Conservation programs	1,383,767
Miscellaneous	<u>12,461</u>
Total expenditures	<u>\$ 1,598,169</u>

<i>Excess (deficiency) of revenues over expenditures</i>	(70,468)
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Fund balance at beginning of the year	<u>599,696</u>
Fund balance at end of the year	<u>\$ 529,228</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, 2017

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

Net change in fund balance - total governmental funds	\$	(70,468)
<p>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</p>		
Depreciation		(14,469)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
<p>The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar, items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Loss on asset disposal		<u>(13,854)</u>
Change in net position of governmental activities	\$	<u>(98,791)</u>

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, 2017**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Federal grants	\$ 856,973	\$ 856,973	\$ 482,260	\$ (374,713)
State grant	718,113	718,113	680,147	(37,966)
Local grants	309,295	309,295	275,418	(33,877)
Fees and activities	20,000	20,000	16,926	(3,074)
Miscellaneous	264,726	264,726	116,419	(148,307)
Total revenues	<u>2,169,107</u>	<u>2,169,107</u>	<u>1,571,170</u>	<u>(597,937)</u>
Expenditures:				
Current:				
Advertising/Legals	2,500	2,500	912	1,588
Annual meeting	2,500	2,500	2,081	419
Office	8,000	8,000	4,545	3,455
Bond insurance	126	126	126	-
Dues and subscriptions	1,100	1,100	1,375	(275)
Education	1,500	1,500	1,479	21
Professional fees	13,000	13,000	9,331	3,669
Per diem	6,000	6,000	7,270	(1,270)
Workshop/Training	2,000	2,000	1,942	58
Personnel	203,000	187,927	145,649	42,278
Conservation programs	1,879,381	1,904,131	1,372,217	531,914
Miscellaneous	-	-	12,440	(12,440)
Capital outlay	-	-	30,073	(30,073)
Total expenditures	<u>2,119,107</u>	<u>2,128,784</u>	<u>1,589,440</u>	<u>539,344</u>
Net change in fund balance	50,000	40,323	(18,270)	(58,593)
Fund balance at beginning of the year	-	-	599,696	599,696
Fund balance at end of the year	<u>\$ 50,000</u>	<u>\$ 40,323</u>	<u>581,426</u>	<u>\$ 541,103</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			(37,548)	
Change in accrued liabilities			(14,650)	
Fund balance at end of the year (GAAP basis)			<u>\$ 529,228</u>	

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017

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

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

During fiscal year 2017, San Juan Soil and Water Conservation District adopted the following GASB Statements:

- **GASB Statement No. 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 Statement No. 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.

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
- 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.

- **GASB Statement No. 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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

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.

- **GASB Statement No. 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.

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 Statement No. 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 Statement No. 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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

- **GASB Statement No. 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.
- **GASB Statement No. 83, *Certain Asset Retirement Obligations*** - This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter. In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FYE June 30, 2019). Earlier application is encouraged.

- **GASB Statement No. 84, *Fiduciary Activities*** – This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FYE June 30, 2020). Earlier application is encouraged. Changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practicable, for all prior periods presented. If restatement for prior periods is not practicable, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated. In the first period that this Statement is applied, the notes to the financial statements should disclose the nature of the restatement and its effect. Also, the reason for not restating prior periods presented should be disclosed.

- **GASB Statement No. 85, Omnibus 2017** – The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill • Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (FYE June 30, 2018). Earlier application is encouraged.

- **GASB Statement No. 86, Certain Debt Extinguishment Issues** – The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

In-Substance Defeasance of Debt Using Only Existing Resources Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

Prepaid Insurance Related to Extinguished Debt – For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

Additional Disclosure for All In-Substance Defeasance Transactions – One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (FYE June 30, 2018). Earlier application is encouraged.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

- **GASB Statement No. 87, *Leases*** - The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Definition of a Lease - A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2019 (FYE June 30, 2021).

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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, 2017.

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, 2017.

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, 2017

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, 2017

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</u>	<u>FINAL</u>
General Fund	<u>\$ 2,119,107</u>	<u>\$ 2,128,784</u>

B. Budgetary Violations

There were no budgetary violations during the year ended June 30, 2017.

C. Deficit Fund Equity

There was not a deficit fund balance as of June 30, 2017.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2017, the carrying amount of the District's deposits was \$575,901 and the bank balance was \$615,664 with the difference consisting of outstanding checks. Of this balance \$250,000 was covered by federal depository insurance and \$365,664 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, 2017, none of the District's bank balance was exposed to custodial risk as follows:

	CITIZENS BANK
Uninsured and uncollateralized	\$ -
Uninsured and collateral held by pledging bank's trust dept not in District's name	400,000
Total Uninsured	365,664
Insured (FDIC)	<u>250,000</u>
Total Deposits	<u>\$ 615,664</u>
State of New Mexico collateral requirement:	
50% of uninsured public fund bank deposits	\$ 182,832
Pledge security	<u>400,000</u>
Over collateralization	<u>\$ 582,832</u>

Pledged collateral of financial institutions consists of the following at June 30, 2017

<u>PLEDGED COLLATERAL</u>	<u>MATURITY</u>	<u>CUSIP NO.</u>	<u>MARKET VALUE</u>
FHLB	2/15/2030	489350RN0	<u>\$ 400,000</u>

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, 2017

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 BALANCE</u>
Citizens Bank			
Main	Checking	Yes	\$ 319,686
Hydro Mulcher	Checking	Yes	33,547
Carl Chamblee	Checking	Yes	2,524
Special Projects	Checking	Yes	218,616
CD	Certificate Deposit	Yes	10,329
CD	Certificate Deposit	Yes	10,329
CD	Certificate Deposit	Yes	10,317
CD	Certificate Deposit	Yes	5,158
CD	Certificate Deposit	Yes	5,158
E-Funds	E-Funds	Yes	-
			<u>\$ 615,664</u>
		Adjustments to cash:	
		Outstanding deposits	9,085
		Outstanding checks	(49,842)
		Unreconciled difference	994
		Total adjusted cash	<u>\$ 575,901</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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

B. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	BEGINNING	INCREASES	DECREASES	RESTATEMENT	ENDING
Governmental activities:					
<u>Capital assets, being depreciated</u>					
Office equipment	\$ 1,748	\$ -	\$ -	\$ -	\$ 1,748
Farm equipment	177,451	-	116,405	35,895	96,941
<i>Total capital assets being depreciated</i>	<u>179,199</u>	<u>-</u>	<u>116,405</u>	<u>35,895</u>	<u>98,689</u>
Less accumulated depreciation for:					
Office equipment	1,748	-	-	-	1,748
Farm equipment	119,867	14,469	102,551	15,970	47,755
<i>Total accumulated depreciation</i>	<u>121,615</u>	<u>14,469</u>	<u>102,551</u>	<u>15,970</u>	<u>49,503</u>
Total capital assets being depreciated, net	<u>\$ 57,584</u>	<u>\$ (14,469)</u>	<u>\$ 13,854</u>	<u>\$ 19,925</u>	<u>\$ 49,186</u>

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

DEPRECIATION ALLOCATION TO FUNCTIONS	
Administration	\$ -
Coconservation programs	14,469
Total Depreciation Expense	<u>\$ 14,469</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.

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

IV. OTHER INFORMATION (cont'd)

C. Restatement

The District inventoried the capital assets this year and found a capital asset that had not been included on the capital asset inventory list. The District has restated their financials for the additional vehicle which was donated with a fair market value of \$35,895 and the accompanying depreciation that should have been taken in the amount of \$15,970 for a net adjustment of \$19,925.

D. Subsequent Events

Subsequent events were evaluated through September 25, 2017, which is the date the financial statements were available to be issued.

OTHER SUPPLEMENTAL INFORMATION

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STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2017

	<u>Citizens Bank</u>
Cash on deposit at June 30, 2017	\$ 615,664
Less FDIC coverage	250,000
Uninsured funds	<u>\$ 365,664</u>
Amount requiring pledged collateral:	
50% collateral requirement	\$ 182,832
Pledged collateral	<u>400,000</u>
Excess (deficiency) of pledged collateral	<u>\$ 217,168</u>

Pledged collateral of financial institutions consists of the following at June 30, 2017

<u>Citizens Bank</u>	<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

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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

§

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

§

Summary Schedule of Prior Year Audit Findings

§

Required Disclosure

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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

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 September 25, 2017.

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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. Findings 2017-001 and 2017-002.

San Juan Soil and Water Conservation District's Response to Findings

San Juan Soil and Water Conservation District responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. San Juan Soil and Water Conservation District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
September 25, 2017

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2017

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?	—	<u>✓</u>	—
Significant Deficiency(ies) identified?	—	<u>✓</u>	—
Noncompliance material to financial statements noted?	—	<u>✓</u>	—

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2017

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

2017 – 001 CONTROLS OVER CAPITAL ASSETS

Other matters

Condition: Management does not have written policies and procedures for controlling the capital assets master file. There is not an approval process for making changes to the master file. Additionally, there is not a review process in place to ensure the accuracy and oversight of the capital asset information.

Criteria: NMAC 2.20.1.8A states “Agencies should implement systematic and well-documented methods for accounting for their fixed assets. A computerized system is recommended, with appropriate controls on access and authorization of transactions.” A system of internal controls should be in place to provide reasonable assurance that the objectives to external reporting and compliance with laws and regulations as recommended by COSO. .

Effect of condition: The capital asset master file is susceptible to unauthorized alterations, either intentional or accidental. The District is also at risk of not complying with laws and regulations in the event of an extended illness or other event that results in the position of maintaining the master file being vacated.

Cause: Management has not approved and implemented an official system of controls for maintaining and reviewing the capital assets master file.

Recommendation: An official system of controls over the capital assets master file should be developed, approved by the governing board, and implemented. The system should dictate the documenting and approval of changes to the master file. The system should also establish a regular monitoring of the master file to ensure it has not been altered and allows for consistent tracking and reporting.

Management’s response: San Juan SWCD staff has proposed an official system of controls for maintaining and reviewing the capital assets master file. These will be reviewed and adopted by the Board of Supervisors.

Person/position responsible for overseeing corrective actions: District Coordinator, Board of Supervisors.

Timeline for corrective actions: Proposal reviewed at November 2017 board meeting, adopted by board between November 2017 and January 2018 board meeting.

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2017

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

2017- 002 BANK ACCOUNTS WERE NOT RECONCILED TO GENERAL LEDGER

Other Matters

Condition: The reconciliations for bank accounts were not reconciled to the general ledger. The operating account was out of balance by \$986, and the Chamblee account was out of balance by \$8.

Criteria: Bank statements should be reconciled to the balances in the general ledger and subsidiary accounts as required by 1978 NMSA 6-10-2 and 6-NMAC-2.2.1.14.11 in a timely manner.

Effect of condition: The district is not in compliance with 1978 NMSA 6-10-2.

Cause: The accounting software reconciliation did not tie to the general ledger

Recommendation: The accounting software should be correctly setup when an entity begins operations.

Management's response: San Juan SWCD staff corrected the issue with the accounting software, and has implemented a monthly review policy to prevent this from happening in the future.

Person/position responsible for overseeing corrective actions: Business Manager, District Coordinator

Timeline for corrective actions: Software corrected in Sept 2017, monthly review starting Oct 2017.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended June 30, 2017

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

June 30, 2016

The financial statements were prepared by the independent public accountants.

An exit conference was held September 29, 2017, during which the audit findings were discussed. The exit conference was attended by the following individuals:

SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Ralph Fenton	Secretary/Treasurer
Melissa May	District Coordinator
Kristi Gunter	Business Manager

ACCOUNTING & FINANCIAL SOLUTIONS, LLC

Terry Ogle, CPA	Partner
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