

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

ANNUAL FINANCIAL REPORT
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2018
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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INTRODUCTORY SECTION
OF
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

ANNUAL FINANCIAL REPORT
FISCAL YEAR 2018

JULY 1, 2017 THROUGH JUNE 30, 2018



When the Dust Bowl swept across America in the 1930's, soil and water conservation became a national priority. Congress understood, however, that conservation would not succeed without the support of our nation's private landowners. So, they recommended that all states allow local landowners to form soil and water conservation districts as independent subdivisions of state government.

Today, there are nearly 3,000 conservation districts in the United States, and 47 of those are in New Mexico. The unique strength of conservation districts is that they are able to coordinate assistance from public, private, local, state, and federal sources, in order to develop locally-driven solutions to local natural resource concerns. This includes conserving and developing natural resources, providing for flood control, preserving wildlife, and promoting the health, safety and general welfare of the population.

Our Mission

To protect, restore, enhance, and promote the wise use of natural resources.

To promote stewardship through education.

To provide financial and administrative assistance to citizens and groups in the district.

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OFFICIAL ROSTER

June 30, 2018

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
OF
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

ANNUAL FINANCIAL REPORT
FISCAL YEAR 2018

JULY 1, 2017 THROUGH JUNE 30, 2018



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INDEPENDENT AUDITORS' REPORT

Wayne Johnson, State Auditor,
The Board of Directors of
San Juan Soil and Water Conservation

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of San Juan Soil and Water Conservation, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise San Juan Soil and Water Conservation 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'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, each major fund, and the aggregate remaining fund information of San Juan Soil and Water Conservation, as of June 30, 2018, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Wayne Johnson, State Auditor,
The Board of Directors of
San Juan Soil and Water Conservation

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's basic financial statements. The supplemental information such as the Schedule of Pledged Collateral, and the other information, such as 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 purposes of additional analysis and are 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 the 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2018 on our consideration of the San Juan Soil and Water Conservation'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's internal control over financial reporting and compliance.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
November 13, 2018

BASIC FINANCIAL STATEMENTS
OF
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

AS OF AND FOR THE YEAR ENDED
JUNE 30, 2018

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

STATEMENT OF NET POSITION
June 30, 2018

	<u>Primary Government</u> Governmental <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 477,089
Receivables:	
Grant	28,237
Non-current:	
Depreciable capital assets, net	<u>55,800</u>
Total assets	<u>561,126</u>
 LIABILITIES	
Accounts payable	<u>17,541</u>
 NET POSITION	
Net investment in capital assets	55,800
Restricted for:	
Unrestricted	<u>487,785</u>
Total net position	<u>\$ 543,585</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, 2018

PROGRAM EXPENSES	
Administration	\$ 225,518
Conservation	<u>1,453,940</u>
Total program expenses	<u>1,679,458</u>
PROGRAM REVENUES	
Charges for services	118,808
Operating grants and contributions	<u>1,525,727</u>
Total program revenues	<u>1,644,535</u>
<i>Net program (expense) revenue</i>	(34,923)
GENERAL REVENUES	
Interest	<u>94</u>
<i>Change in net position</i>	<u>(34,829)</u>
Net position - beginning	<u>578,414</u>
Net position - ending	<u>\$ 543,585</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, 2018

Assets	
Cash and investments	\$ 477,089
Receivables:	
Grant	<u>28,237</u>
Total assets	<u>\$ 505,326</u>
Liabilities and fund balance	
Liabilities:	
Accounts payable	\$ 17,541
Fund balance:	
Unassigned	<u>487,785</u>
Total liabilities and fund balance	<u>\$ 505,326</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, 2018

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

Fund balances - total governmental funds	\$ 487,785
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	120,436
Accumulated depreciation	<u>(64,636)</u>
Net position of governmental activities	<u>\$ 543,585</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, 2018

Revenues:

Intergovernmental - federal grants	\$ 1,063,944
Intergovernmental - state grants	489,968
Contributions - private grants	74,279
Charges for services	15,089
Miscellaneous	<u>1,255</u>
Total revenue	\$ <u>1,644,629</u>

Expenditures:

Current:

Advertising/Legals	\$ 797
Annual meeting	2,454
Office	5,232
Bond insurance	176
Dues and subscriptions	1,405
Education	1,432
Professional fees	7,946
Per diem	3,992
Workshop/Training	969
Personnel	198,261
Conservation programs	1,437,059
Miscellaneous	2,854
Capital outlay	<u>23,495</u>

Total expenditures	\$ <u>1,686,072</u>
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<i>Excess (deficiency) of revenues over expenditures</i>	(41,443)
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Fund balance at beginning of the year	<u>529,228</u>
Fund balance at end of the year	\$ <u><u>487,785</u></u>

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

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

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

Net change in fund balance - total governmental funds	\$ (41,443)
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>(16,881)</u>
Change in net position of governmental activities	<u>\$ (34,829)</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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
Federal grants	\$ 1,124,848	\$ 1,348,845	\$ 1,043,109	\$ (305,736)
State grant	517,568	540,219	489,968	(50,251)
Local grants	168,402	158,494	74,753	(83,741)
Fees and activities	44,425	20,000	15,089	(4,911)
Miscellaneous	<u>-</u>	<u>-</u>	<u>1,677</u>	<u>1,677</u>
Total revenues	<u>1,855,243</u>	<u>2,067,558</u>	<u>1,624,690</u>	<u>(442,868)</u>
Expenditures:				
Current:				
Advertising/Legals	1,500	800	787	13
Annual meeting	2,500	2,454	2,454	-
Office	8,000	5,089	5,089	-
Bond insurance	126	176	176	-
Dues and subscriptions	1,405	1,405	1,405	-
Education	1,500	1,500	1,432	68
Professional fees	11,000	8,000	7,946	54
Per diem	6,000	4,000	3,992	8
Workshop/Training	2,000	2,000	1,269	731
Personnel	213,530	217,261	204,335	12,926
Conservation programs	1,808,986	1,872,821	1,491,888	380,933
Miscellaneous	<u>30,000</u>	<u>11,173</u>	<u>2,879</u>	<u>8,294</u>
Total expenditures	<u>2,086,547</u>	<u>2,126,679</u>	<u>1,723,652</u>	<u>403,027</u>
Net change in fund balance	(231,304)	(59,121)	(98,962)	(39,841)
Beginning cash balance budgeted	231,304	59,121	-	(59,121)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>529,228</u>	<u>529,228</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>430,266</u>	<u>\$ 430,266</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			19,938	
Change in payables			<u>37,581</u>	
Fund balance at end of the year (GAAP basis)			<u>\$ 487,785</u>	

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



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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 District's financial statements. The financial statements and notes are the representation of San Juan Soil and Water Conservation's management who is responsible for their integrity and objectivity. The financial statements of the District conform to GAAP as applied to governmental units. 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. Implementation of New Accounting Principles

During fiscal year 2018, the District adopted the following Governmental Accounting Standards Board (GASB) Statements:

➤ 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.



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

B. Implementation of New Accounting Principles (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.

➤ 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
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB



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

B. Implementation of New Accounting Principles (cont'd)

- o Classifying employer-paid member contributions for OPEB
- o Simplifying certain aspects of the alternative measurement method for OPEB
- o 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.



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

B. Implementation of New Accounting Principles (cont'd)

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

➤ *GASB 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.

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.



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

B. Implementation of New Accounting Principles (cont'd)

➤ GASB 84, *Fiduciary Activities*

This Statement supersedes NCGA Statement 1, Governmental Accounting and Financial Reporting Principles, footnote 24; Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, paragraph 4; Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, paragraphs 70–73, 110, and 111; Implementation Guide No. 2015-1, Questions 4.14.1, 4.14.2, 6.43.2, 7.7.2, and 7.52.4; and Implementation Guide No. 2016-1, Implementation Guidance Update—2016, Question 4.26. It also amends NCGA Statement 1, paragraphs 32, 139, 143, and 147; NCGA Statement 5, Accounting and Financial Reporting Principles for Lease Agreements of State and Local Governments, paragraphs 5 and 6; Statement No. 6, Accounting and Financial Reporting for Special Assessments, paragraph 19; Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, footnote 12; Statement No. 14, The Financial Reporting Entity, paragraphs 19 and 27; Statement No. 24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance, paragraph 5; Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, paragraphs 18 and 22; Statement 34, paragraphs 6, 12, 13, 63, 65, 67, 69, 106–109, 115, 123, 125, 135, 138, 141, and 147, and footnotes 48, 49, and 51; Statement No. 37, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus, paragraph 3; Statement No. 38, Certain Financial Statement Note Disclosures, paragraphs 6, 14, and 15; Statement No. 40, Deposit and Investment Risk Disclosures, paragraph 5; Statement No. 44, Economic Condition Reporting: The Statistical Section, paragraph 10; Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, paragraphs 30, 33, and 35; Statement No. 61, The Financial Reporting Entity: Omnibus, paragraph 9; Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, paragraph 34; Statement No. 67, Financial Reporting for Pension Plans, paragraph 11; Statement No. 72, Fair Value Measurement and Application, paragraph 80; Statement 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, paragraph 116; Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, paragraphs 18 and 59; NCGA Interpretation 6, Notes to the Financial Statements Disclosure, paragraph 5; Technical Bulletin No. 2006-1, Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D, paragraph 8; Implementation Guide 2015-1, Questions 1.4.2, 1.4.8, 2.7.1, 2.7.2, 3.49.1, 3.55.2, 3.58.1, 4.6.2, 4.27.1, 4.28.1, 4.28.11, 4.30.3, 4.62.2, 5.64.3, 5.64.4, 5.113.1, 6.29.3, 6.34.3, 6.34.4, 6.43.5, 6.45.1, 6.45.3, 7.3.5, 7.4.1, 7.51.6, 7.52.2, 7.52.3, 7.52.5–7.52.8, 7.55.5, 7.72.10, 7.77.4, 7.81.1, 7.81.2, 7.84.1, 7.97.1, 7.97.2, 7.97.4, 8.1.2, 8.1.3, and 8.15.4; Implementation Guide 2016-1, Questions 4.2, 4.13, 4.27, 4.61–4.63, 5.7, 5.8, 5.16, and 5.24; and 2002 AICPA State and Local Government Auditing and Accounting Guide, paragraph 5.28.

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.



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

B. Implementation of New Accounting Principles (cont'd)

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. 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).

➤ GASB 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

Requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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



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

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) 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*.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

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.

Property taxes and interest associated with the current fiscal period are all 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 major governmental funds:

➤ GENERAL FUND

The general fund is the primary operating fund. It accounts for all financial resources of the general government.



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

E. Assets, Liabilities, and Net Position or Equity

1. *Deposits and investments*

The government'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 school 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 and improvements 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:

ASSETS	YEARS
Farm equipment	10
Office equipment	5



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

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

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, 2018.

6. *Fund balance*

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 Education should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the District's Board of Education 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, 2018.

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 Education or the Finance Committee. The District did not have assigned fund balances for the year ended June 30, 2018.

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.



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

E. 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. Net investment in capital assets

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 “net investment in capital assets” 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.



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, 2018 was as follows:

	ORIGINAL	FINAL
General Funds	\$ 2,086,547	\$ 2,126,679

B. Budgetary Violations

The District did not have any budgetary violations during the year ended June 30, 2018.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2018, the carrying amount of the District’s deposits was \$477,089 and the bank balance was \$503,814 with the difference consisting of outstanding checks.

	BALANCE
Financial institution:	
Citizens Bank	\$ 503,814
Less net reconciling items	(26,725)
Total cash and equivalents	\$ 477,089

Of the total cash and cash equivalents balance, \$250,000 was covered by federal depository insurance and \$253,814 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 District does not have a deposit policy for custodial credit risk, other than the following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). 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, 2018, none of the District’s bank deposits was exposed to custodial risk as follows:



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

A. Cash and Temporary Investments (cont'd)

	INSURED	UNDER INSURED	TOTAL
Bank deposits:			
Uninsured and uncollateralized	\$ -	\$ -	\$ -
Uninsured and collateral held by pledging bank's trust dept not in the District's name	253,814	-	253,814
Total uninsured	253,814	-	253,814
Insured (FDIC)	250,000	-	250,000
Total deposits	<u>\$ 503,814</u>	<u>\$ -</u>	<u>\$ 503,814</u>
State of New Mexico collateral requirement:			
50% of uninsured public fund bank deposits	\$ 126,908	\$ -	\$ 126,908
Pledged security	385,200	-	385,200
Over collateralization	<u>\$ 258,292</u>	<u>\$ -</u>	<u>\$ 258,292</u>

Pledged collateral of financial institutions consists of the following at June 30, 2018

CITIZENS BANK	MATURITY	CUSIP NO.	MARKET VALUE
FHLB	8/1/2027	189414JS5	<u>\$ 385,200</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.

Detail of Cash Balances

ACCOUNT NAME	ACCOUNT TYPE	INTEREST BEARING	BANK BALANCE
Citizens Bank			
Main	Checking	Yes	\$ 234,536
Hydro Mulcher	Checking	Yes	27,717
Carl Chamblee	Checking	Yes	197,561
Special Projects	Checking	Yes	2,713
CD	Certificate Deposit	Yes	30,970
CD	Certificate Deposit	Yes	10,317
Total Bank Balances			<u>\$ 503,814</u>
Adjustment to cash:			
	Outstanding deposits		\$ -
	Outstanding checks		(26,725)
	Unreconciled difference		-
	Total adjusted cash		<u>\$ 477,089</u>



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

B. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	BEGINNING	INCREASES	DECREASES	ENDING
Governmental activities:				
<u>Capital assets being depreciated:</u>				
Farm equipment	96,941	23,495	-	120,436
Office equipment	1,748	-	(1,748)	-
<i>Total capital assets being depreciated</i>	<u>98,689</u>	<u>23,495</u>	<u>(1,748)</u>	<u>120,436</u>
Less accumulated depreciation for:				
Farm equipment	(47,755)	(16,881)	-	(64,636)
Office equipment	(1,748)	-	1,748	-
<i>Total accumulated depreciation</i>	<u>(49,503)</u>	<u>(16,881)</u>	<u>1,748</u>	<u>(64,636)</u>
Total capital assets being depreciated, net	<u>49,186</u>	<u>6,614</u>	<u>-</u>	<u>55,800</u>
Total capital assets, net	<u>\$ 49,186</u>	<u>\$ 6,614</u>	<u>\$ -</u>	<u>\$ 55,800</u>

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

DEPRECIATION ALLOCATION TO FUNCTIONS	
Conservation programs	<u>\$ 16,881</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 government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.



IV. OTHER INFORMATION (cont'd)

C. Subsequent Events

Subsequent events were evaluated through November 13, 2018 which is the date the financial statements were available to be issued.

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OTHER SUPPLEMENTAL INFORMATION

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STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2018

	<u>Citizens Bank</u>
Cash on deposit at June 30, 2018	\$ 503,814
Less FDIC coverage	250,000
Uninsured funds	<u>\$ 253,814</u>
Amount requiring pledged collateral:	
50% collateral requirement	\$ 126,907
Pledged collateral	<u>385,200</u>
Excess (deficiency) of pledged collateral	<u>\$ 258,293</u>

Pledged collateral of financial institutions consists of the following at June 30, 2018

<u>Citizens Bank</u>	<u>Maturity</u>	<u>CUSIP #</u>	<u>Market Value</u>
FHLB	8/1/2027	189414JS5	<u>\$ 385,200</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

§

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

§

Summary Schedule of Prior Year Audit Findings

§

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

§

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

Wayne Johnson, State Auditor
The Board of Directors of
San Juan Soil and Water Conservation

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 and the aggregate remaining fund information, the budgetary comparisons of the general fund of the San Juan Soil and Water Conservation as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise San Juan Soil and Water Conservation basic financial statements and have issued our report thereon dated November 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered San Juan Soil and Water Conservation 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 internal control. Accordingly, we do not express an opinion on the effectiveness of San Juan Soil and Water Conservation 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 financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

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

Compliance and other matters

As part of obtaining reasonable assurance about whether San Juan Soil and Water Conservation 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. We did not note any other matters that are required to be reported pursuant to Government Auditing Standards and pursuant to Section 12-6-5, NMSA 1978.

Wayne Johnson, State Auditor
The Board of Directors of
San Juan Soil and Water Conservation

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 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
November 13, 2018



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

Wayne Johnson, State Auditor,
The Board of Directors of
San Juan Soil and Water Conservation

Report on Compliance for Each Major Federal Program

We have audited San Juan Soil and Water Conservation compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of San Juan Soil and Water Conservation major federal programs for the year ended June 30, 2018. San Juan Soil and Water Conservation 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 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 the 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 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 compliance.

Opinion on Each Major Federal Program

In our opinion, San Juan Soil and Water Conservation complied, in all material respects, with the types of 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, 2018.

Wayne Johnson, State Auditor,
The Board of Directors of
San Juan Soil and Water Conservation

Report on Internal Control Over Compliance

Management of San Juan Soil and Water Conservation 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 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify certain deficiencies in internal control over compliance that we consider to be a material weakness.

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.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
November 13, 2018

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
OF
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT
AS OF AND FOR THE YEAR ENDED
JUNE 30, 2018

STATE OF NEW MEXICO
SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

<u>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed to Subrecipients</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
Direct Program:				
Jicarilla Ranger District	10.693	6109	\$ -	\$ 32,668
NACD Urban Agriculture	10.902	6114	-	40,511
Subtotal Direct Programs			-	73,179
Pass-Through Program From:				
New Mexico Energy, Minerals, and Natural Resources:				
Forest Health Protection	10.680	12-521-041000000-0157	-	792
Cooperative Forestry Assistance Grant	10.664	09-DG-11031600-084	-	254,996
Subtotal Pass-Through Programs			-	255,788
Total U.S. Department of Agriculture			-	328,967
<u>Bureau of Land Management</u>				
Direct Program:				
BLM Road Program	15.225	6103	-	92,805
Invasive and Noxious Plant Management	15.230	6104	-	64,748
Subtotal Direct Programs			-	157,553
Pass-Through Program From:				
New Mexico Association of Conservation Districts				
Fish, Wildlife and Plant Conservation Resource	15.231	No12-1-1	-	251,492
Fish, Wildlife, and Plant Conservation	15.231	6102	-	144,609
Subtotal Direct Programs			-	396,101
Total U.S. Bureau of Land Management			-	553,654
<u>Environmental Protection Agency</u>				
Pass-Through Program From:				
New Mexico Environment Department				
Nonpoint Source Implementation Grants	66.460	11-667-5000-0027	-	58,690
Total Expenditures of Federal Awards			\$ -	\$ 941,311

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



1. Scope of audit pursuant to OMB Uniform Grant Guidance

All federal grant operations of San Juan Soil and Water Conservation (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 May 2018 the “Compliance Supplement”). Compliance testing of all requirements are described in the Compliance Supplement, was performed for the grants programs noted below. These programs represent all federal award programs and other grants with fiscal year 2018 cash and non-cash expenditures to ensure coverage of at least 40% (HIGH risk auditee) of federally granted funds. Actual coverage is approximately 54% of total cash and non-cash federal award program expenditures. Total cash expenditures were in the amount of \$941,311 and there were not any non-cash expenditures.

<u>MAJOR FEDERAL AWARD PROGRAM DESCRIPTION</u>	<u>EXPENDITURE</u>
Cash Assistance:	
Fish, Wildlife and Plant Conservation Resource	\$ 251,492
Cooperative Forestry Assistance Grant	<u>254,996</u>
Total	<u>\$ 506,488</u>

The District did not have a federal program considered to be a High-Risk Type A program for the year ended June 30, 2018.

The U.S. Bureau of Land Management 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, 2018. 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, 2018, 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.

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 represent an excess of cash receipts over reimbursable expenditure to date. Generally, accrued or deferred balances covered by differences in the timing of cash receipts and expenditures will be reversed in the remaining grant period.

3. Reconciliation of Federal Awards to Expenditure of Federal Award

The differences between the federal awards received (Intergovernmental sources – federal) during the year ended June 30, 2018 and the federal awards expended during the year are as follows:

	<u>BALANCE</u>
Federal Sources	\$ 1,063,944
Unexpended federal sources from current year	(124,983)
Prior year federal sources expended	<u>2,350</u>
Total Expenditures of Federal Awards	<u>\$ 941,311</u>



4. UNEXPENDED FEDERAL AWARDS

There were federal awards received during the year ended June 30, 2018 that were not expended during the year. These awards will be reported in subsequent years when they have been expended. Those amounts are as follows:

	CFDA #	FUND #	UNEXPENDED AWARDS			
			CARRYOVER FROM PY	2018 AWARDS	EXPENDED	TOTAL UNEXPENDED
Jicarilla Ranger District	10.693	6109	\$ 1,558	\$ 31,110	\$ (32,668)	\$ -
NACD Urban AG	10.902	6114	-	47,960	(40,511)	7,449
Forest Health Protection	10.680	6107	792	-	(792)	-
Cooperative Forestry Assistar	10.644	6111	-	254,996	(254,996)	-
BLM Road Program	15.225	6103	-	106,503	(92,805)	13,698
Invasive and Noxious Plant I	15.230	6104	-	122,182	(64,748)	57,434
Fish, Wildlife and Plant Cons	15.231	6110	-	278,436	(251,492)	26,944
Fish, Wildlife and Plant Cons	15.231	6112	-	164,066	(144,609)	19,457
Nonpoint Source Implement	66.460	6113	-	58,690	(58,690)	-
			<u>\$ 2,350</u>	<u>\$ 1,063,943</u>	<u>\$ (941,311)</u>	<u>\$ 124,982</u>

5. Indirect Costs

The District did not elect to use the 10% de minimis indirect cost rate during the year ended June 30, 2018.



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>	—
FEDERAL AWARDS:			
Internal control over major programs:			
Material weakness(es) identified?	—	<u>✓</u>	—
Significant deficiency(ies) identified?	—	<u>✓</u>	—
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?	—	<u>✓</u>	—
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
Fish, Wildlife and Plant Conservation Resource			15.231
The threshold for distinguishing types A and B programs: <u>\$750,000</u>			
Auditee qualified as low-risk auditee?	—	<u>✓</u>	

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

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

III. AUDIT FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

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



I. NOT RESOLVED

There were not any findings to be reported from the prior year.

II. RESOLVED

2017 – 001 CONTROLS OVER CAPITAL ASSETS

Current Status: Resolved. Not repeated in the current year.

2017 – 002 BANK ACCOUNTS WERE NOT RECONCILED TO THE GENERAL LEDGER

Current Status: Resolved. Not repeated in the current year.



The independent public accountants assisted in the preparation of the financial statements.

An exit conference was held November 14, 2018 and was attended by the following individuals:

SAN JUAN SOIL AND WATER CONSERVATION DISTRICT

Ralph Fenton	Secretary / Treasurer
Melissa May	District Coordinator

ACCOUNTING & FINANCIAL SOLUTIONS, LLC

Terry Ogle, CPA	Partner
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