

**STATE OF NEW MEXICO  
CANADIAN RIVER SOIL AND WATER  
CONSERVATION DISTRICT  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2017**

**State of New Mexico**  
**Canadian River Soil and Water Conservation District**  
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**State of New Mexico**  
**Canadian River Soil and Water Conservation District**  
**Official Roster**  
**June 30, 2017**

| <b>Name</b>                 |  | <b>Title</b>             |
|-----------------------------|--|--------------------------|
| <b>Board of Supervisors</b> |  |                          |
| Tommy Wallace               |  | Chairperson              |
| Larry Perkins               |  | Vice-Chairperson         |
| Tonya Hodges                |  | Secretary/Treasurer      |
| Heidi Humphries             |  | Supervisor               |
| Robert Bruce                |  | Supervisor               |
| <b>District Personnel</b>   |  |                          |
| Sandra Morgan               |  | Administrator            |
| Chelsea Muncy               |  | Administrative Assistant |

## INDEPENDENT AUDITOR'S REPORT

Mr. Wayne Johnson,  
State Auditor of the State of New Mexico  
Board of Supervisors of the Canadian River Soil and Water Conservation District

Mr. Johnson and Members of the Board

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparisons for the general fund of Canadian River 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 the 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities the major fund of the District as of June 30, 2017, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

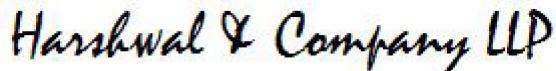
*Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated **March 26, 2018**, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

**Harshwal & Company LLP**  
**Certified Public Accountants**

Handwritten signature of Harshwal & Company LLP in black ink.

**Albuquerque, New Mexico**  
**March 26, 2018**

**State of New Mexico**  
**Canadian River Soil and Water Conservation District**  
**Government-Wide Statement of Net Position**  
**June 30, 2017**

| <u>Assets</u>  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| Current Assets   |                                    |
| Cash and Cash Equivalents                                | \$ 177,592                         |
| Accounts Receivable (net of allowance for uncollectible) | <u>304</u>                         |
| Total Current Assets                                     | <u>177,896</u>                     |
| Noncurrent Assets  |                                    |
| Capital Assets   | 28,000                             |
| Less: Accumulated Depreciation                           | <u>(28,000)</u>                    |
| Total Assets   | <u><u>177,896</u></u>              |
| <u>Liabilities</u>                                       |                                    |
| Current Liabilities                                      |                                    |
| Accounts Payable   | 0                                  |
| Total Current Liabilities                                | <u>0</u>                           |
| Total Liabilities  | <u>0</u>                           |
| Net Position   |                                    |
| Unrestricted   | <u>177,896</u>                     |
| Total Net Position                                       | <u><u>\$ 177,896</u></u>           |

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

**State of New Mexico**  
**Canadian River Soil and Water Conservation District**  
**Government-Wide Statement of Activities**  
**For the Year Ended June 30, 2017**

|                                   | <u>Governmental<br/>Activities</u> |
|-----------------------------------|------------------------------------|
| Program Expenses                  |                                    |
| Personnel Services                | \$ 9,274                           |
| Operating Expenses                | <u>20,306</u>                      |
| Total Program Expenses            | <u>29,580</u>                      |
| <br>Program Revenues              |                                    |
| Conservation Grants-State         | 15,426                             |
| Sale of Conservation Materials    | 4,849                              |
| Administrative                    | <u>1,800</u>                       |
| Total Program Revenue             | <u>22,075</u>                      |
| <br>Net Program (Expense) Revenue | <br><u>(7,505)</u>                 |
| <br>General Revenues              |                                    |
| State Allocation                  | 13,699                             |
| Interest Income                   | <u>739</u>                         |
| Total General Revenue             | <u>14,438</u>                      |
| <br>Change in Net Position        | <br>6,933                          |
| Net Position at Beginning of Year | <u>170,963</u>                     |
| Net Position at End of Year       | <u>\$ 177,896</u>                  |

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

**State of New Mexico**  
**Canadian River Soil and Water Conservation District**  
**Governmental Funds Balance Sheet**  
**June 30, 2017**

|   |    | <u>General</u> |
|---|----|----------------|
| Assets  |    |                |
| Cash and Cash Equivalents                             | \$ | 177,592        |
| Receivable  |    | 304            |
| Total Assets  |    | <u>177,896</u> |
| Liabilities   |    |                |
| Accounts Payable                                      |    | -              |
| Accrued Payroll                                       |    | -              |
| Total Liabilities                                     |    | <u>0</u>       |
| Fund Balances   |    |                |
| Unassigned  |    | 177,896        |
| Total Fund Balances                                   |    | <u>177,896</u> |
| Total Liabilities, Deferred Inflows and Fund Balances | \$ | <u>177,896</u> |

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



**State of New Mexico**  
**Canadian River Soil and Water Conservation District**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2017**

|   |                 |                       |
|---|-----------------|-----------------------|
| Total Fund Balance - Governmental Funds   | \$              | 177,896               |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:</p> |                 |                       |
| Capital Assets  | 28,000          |                       |
| Accumulated Depreciation  | <u>(28,000)</u> | <u>-</u>              |
| Total Net Position - Governmental Activities  | \$              | <u><u>177,896</u></u> |

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

**State of New Mexico**  
**Canadian River Soil and Water Conservation District**  
**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2017**

|   |    | <u>General</u>        |
|---|----|-----------------------|
| <b>Revenue:</b>                                   |    |                       |
| Administration Fees                               | \$ | 1,800                 |
| State Allocation                                  |    | 13,699                |
| Sale of Conservation Materials                    |    | 4,849                 |
| Interest Income                                   |    | 738                   |
| Grant Fund Inc                                    |    | 15,426                |
| Total Revenues                                    |    | <u>36,512</u>         |
| <b>Expenditures:</b>                              |    |                       |
| Current:  |    |                       |
| Advertising                                       |    | 368                   |
| Professional Fees                                 |    | 7,024                 |
| Dues  |    | 2,900                 |
| Equipment Repairs                                 |    | 937                   |
| Insurance   |    | 900                   |
| Office  |    | 3,353                 |
| Personnel Services                                |    | 6,374                 |
| Public Education                                  |    | 4,320                 |
| Taxes   |    | 313                   |
| Training and Travel                               |    | <u>3,090</u>          |
| Total Expenditures                                |    | <u>29,579</u>         |
| Excess (Deficiency) of Revenues Over Expenditures |    | 6,933                 |
| Fund Balances at Beginning of Year                |    | <u>170,963</u>        |
| Fund Balance End of Year                          | \$ | <u><u>177,896</u></u> |

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

**State of New Mexico**  
**Canadian River Soil and Water Conservation District**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in**  
**Fund Balance to the Statement of Activities**  
**June 30, 2017**

Net Change in Fund Balance-Governmental Funds \$ 6,933

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays in the period

|                      |   |  |   |
|----------------------|---|--|---|
| Depreciation expense | 0 |  |   |
| Capital Outlays      | 0 |  | 0 |

Changes in Net Position of Governmental Activities \$ 6,933

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

**State of New Mexico**  
**Canadian River Soil and Water Conservation District**  
**General Fund Statement of Revenues, Expenditures, and Changes in Cash Balance**  
**Budget and Actual (Budgetary Basis)**  
**For the Year Ended June 30, 2017**

|   | <u>Budgeted Amounts</u> |                       | <u>Actual<br/>Budgetary<br/>Basis</u> | <u>Variance with<br/>Final Budget-<br/>Favorable<br/>(Unfavorable)</u> |
|---|-------------------------|-----------------------|---------------------------------------|--|
|   | <u>Original</u>         | <u>Final</u>          |                                       |  |
| <b>Revenues</b>                                   |                         |                       |                                       |  |
| Administration Fees                               | \$ 10,000               | \$ 10,000             | \$ 1,800                              | \$ (8,200)   |
| State Allocation                                  | 14,000                  | 14,000                | 13,699                                | (301)  |
| Miscellaneous Income                              | 3,500                   | 3,500                 | -                                     | (3,500)  |
| Equipment Rental                                  | 4,000                   | 4,000                 | 1,123                                 | (2,877)  |
| Tree, Drip, Weed Barrier Sale                     | 5,000                   | 5,000                 | 3,727                                 | (1,273)  |
| Interest Income                                   | 800                     | 800                   | 738                                   | (62)   |
| Grant Fund Inc.                                   | -                       | -                     | 15,426                                | 15,426   |
| <b>Total Revenues</b>                             | <u>37,300</u>           | <u>37,300</u>         | <u>36,513</u>                         | <u>(787)</u>   |
| <b>Expenditures</b>                               |                         |                       |                                       |  |
| Advertising                                       | 400                     | 400                   | 369                                   | 31   |
| Professional Fees                                 | 6,000                   | 6,000                 | 7,024                                 | (1,024)  |
| Dues  | 1,700                   | 1,700                 | 2,900                                 | (1,200)  |
| Equipment Repairs                                 | 2,500                   | 2,500                 | 937                                   | 1,563  |
| Insurance   | 1,000                   | 1,000                 | 900                                   | 100  |
| Office  | 10,200                  | 10,200                | 3,353                                 | 6,847  |
| Personnel Services                                | 9,000                   | 9,000                 | 6,374                                 | 2,626  |
| Public Education                                  | 1,000                   | 1,000                 | 4,320                                 | (3,320)  |
| Taxes   | 1,500                   | 1,500                 | 313                                   | 1,187  |
| Training and Travel                               | 4,000                   | 4,000                 | 3,090                                 | 910  |
| <b>Total Expenditures</b>                         | <u>37,300</u>           | <u>37,300</u>         | <u>29,580</u>                         | <u>7,720</u>   |
| Excess (Deficiency) of Revenues Over Expenditures | -                       | -                     | 6,933                                 | 6,933  |
| Cash Balance at Beginning of Year                 | <u>170,963</u>          | <u>170,963</u>        | <u>170,963</u>                        | <u>-</u>   |
| Cash Balance End of Year                          | <u><u>170,963</u></u>   | <u><u>170,963</u></u> | <u><u>177,896</u></u>                 | <u><u>6,933</u></u>  |

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

**State of New Mexico**  
**Canadian River Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2017**

**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Canadian River Soil and Water Conservation District (District) is organized under the provisions of the Soil and Water Conservation District Act (73-20-25 through 73-20-49 NMSA 1978). The District is a governmental subdivision of the state, a public body corporate and politic, organized for control and prevention of flood, sediment, and soil erosion damage, and to further the conservation, development and beneficial use of water and soil resources. The governing body of the District consists of five elected supervisors, four of whom must be landowners in the District. Two additional supervisors may be appointed to the district board. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

The financial reporting entity as defined by GASB 14 consists of the primary government, organizations for which the primary government is financially accountable and other organizations whose exclusion from the financial reporting entity would cause the financial statements to be misleading.

A primary government is any state government or general-purpose local government and the organizations comprising its legal entity. Although the District is organized as a subdivision of the State and administratively attached to the New Mexico State University, Department of Agriculture, the statutory powers of the District establish it as a primary government with a separate corporate and legal identity. The District has no component units, financially dependent affiliates, nor is it legally liable for actions of other agencies.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

**B. Government-Wide and Fund financial Statements**

The government-wide financial statements (i.e., the statement of net position) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, the District does not have any fiduciary or business-type activities.

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) sales of chemicals to customers and 2) contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

**State of New Mexico**  
**Canadian River Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2017**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if any are recorded only when payment is due.

Grants 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 District does not have the information regarding the uncollected delinquent property taxes and thus has not recorded its share of this receivable as called for by GASB Statement 33.

The District reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Grant Fund includes conservation grants for various sources, federal, state and local match. The authority for the fund is by provisions of the grant agreements. There was no activity in the Grant Fund for the year ended June 30, 2017.

As a general rule, the effect of interfund activity, if applicable, has been eliminated from the government-wide financial statements. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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

**Cash and Investments**

The District's cash consists of demand deposits.

**Capital Assets**

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

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

|                        |          |
|------------------------|----------|
| Vehicles and Equipment | 10 years |
|------------------------|----------|

**State of New Mexico**  
**Canadian River Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2017**

**Net Position and Fund Balance**

The difference between the District's assets and liabilities is its net position. The District's net position consist of four components —net invested in capital assets, which is the cost of capital assets, net of accumulated depreciation, restricted for the loan program and unrestricted net position. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation and/or are legally restricted by outside parties for use for a specific purpose. A portion of the fund balance has been reserved for the loan program. The loan program resources have been classified as restricted assets on the Statement of Net Position because their use is restricted by the lender.

**II. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

The budget is prepared on a basis that differs from accounting principles generally accepted in the United States of America (GAAP). GAAP basis revenues and expenditures include accrued amounts. The revenues and expenditures reported in the budgetary comparisons are generally recorded on the cash basis. The District uses the following procedures to establish the budgeted amounts reflected in the budgetary comparisons:

1. Prior to April 1, the Budget Committee submits to the District Board of Supervisors a proposed revenue and expenditure budget for the fiscal year beginning July 1.
2. The Board reviews the budget proposal and makes any necessary adjustments.
3. Prior to June 1, the Board approves the budget by passing a resolution.
4. Prior to June 20, the approved budget is submitted to the State of New Mexico, Department of Finance and Administration, Local Government Division (DFA-LGD) for approval by the first Monday of September. The Board receives notice of the approved budget.

The legal level at which actual expenditures may not exceed budgeted expenditures is at the total fund level. The Board can revise its budget with the approval of DFA-LGD. There were no changes made to the budget during the fiscal year. The District does not utilize encumbrance accounting.

**B. Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis Financial Statements**

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

Reconciliations are located at the bottom of each budget actual statement.

**State of New Mexico**  
**Canadian River Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2017**

**III. Detailed Notes on all Funds**

**A. Cash and Investments**

|   | Account Type                            | Bank Balance June<br>30, 2017 | Reconciled balance<br>June 30, 2017 |
|---|---|-------------------------------|-------------------------------------|
| Citizens Bank<br>Canadian River SWCD                              | Checking-Interest bearing               | <u>81,673</u>                 | <u>81,673</u>                       |
|   |   | 81,673                        | <u>81,673</u>                       |
|   | Less: FDIC coverage<br>Amount uninsured | <u>(81,673)</u><br><u>-</u>   |                                     |
|   |   |                               |                                     |
|   | Account Type                            | Bank Balance June<br>30, 2017 | Reconciled balance<br>June 30, 2017 |
| First National Bank<br>Canadian River SWCD<br>Canadian River SWCD | Checking-Interest bearing<br>Savings    | 56,606<br><u>25,123</u>       | 55,823<br><u>25,123</u>             |
|   |   | 81,729                        | <u>80,946</u>                       |
|   | Less: FDIC coverage<br>Amount uninsured | <u>(81,729)</u><br><u>-</u>   |                                     |
|   |   |                               |                                     |
|   | Account Type                            | Bank Balance June<br>30, 2017 | Reconciled balance<br>June 30, 2017 |
| Tucumcari Federal Savings and Loan<br>Canadian River SWCD         | Saving                                  | <u>14,973</u>                 | <u>14,973</u>                       |
|   |   | 14,973                        | <u>14,973</u>                       |
|   | Less: FDIC coverage<br>Amount uninsured | <u>(14,973)</u><br><u>-</u>   |                                     |

Custodial Credit Risk — Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2017 none of the Districts bank balances of \$178,375 was exposed to custodial credit risk.



**State of New Mexico**  
**Canadian River Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2017**

**B. Capital Assets**

|   | <u>Beginning Balance</u> |                  |                  | <u>Ending Balance</u> |
|---|--------------------------|------------------|------------------|-----------------------|
|   | <u>July 1, 2016</u>      | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2017</u>  |
| Capital Assets, being Depreciated Equipment | 28,000                   | -                | -                | 28,000                |
| Total Capital Assets, being Depreciated     | 28,000                   | -                | -                | 28,000                |
| Less Accumulated Depreciation Equipment     | 28,000                   | -                | -                | 28,000                |
| Total Accumulated Depreciation              | 28,000                   | -                | -                | 28,000                |
| Net Capital Assets                          | <u>0</u>                 | <u>0</u>         | <u>0</u>         | <u>0</u>              |

Depreciation expense was charged to governmental activities as follows:

|                             |          |
|-----------------------------|----------|
| Conservation                | <u>0</u> |
| Total depreciation expenses | <u>0</u> |

**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 \$1,000,000 for each wrongful act and \$1,000,000 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 \$100,000 fidelity bond on its Program 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 state and 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 the time, although the government expects such amounts, if any to be immaterial.

**C. Subsequent Events**

Subsequent events were evaluated through March 26, 2018, which is the date the financial statements were available.

## **Other Supplemental Information**



**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 Auditor's Report**

Mr. Wayne Johnson,  
State Auditor of the State of New Mexico  
Board of Supervisors of the Canadian River Soil and Water Conservation District

Mr. Johnson and Members of the Board

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 major fund and the budgetary comparisons of the general fund of Canadian River Soil and Water Conservation District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 26, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit, of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 are 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. 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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002.

### The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

**Harshwal & Company LLP**  
**Certified Public Accountants**

*Harshwal & Company LLP*

**Albuquerque, New Mexico**  
**March 26, 2018**

**State of New Mexico**  
**Canadian River Soil and Water Conservation District**  
**Schedule of Findings and Responses**  
**June 30, 2017**

**Prior Year Audit Findings**

None

**Status**

None

**State of New Mexico  
Canadian River Soil and Water Conservation District  
Schedule of Findings and Responses  
For the Year Ended June 30, 2017**

**AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS**

**2017-001 Late IPA recommendation and Audit Contract – (Compliance and Other Matter)**

**Condition**

The IPA recommendation and audit contract were not received by the Office of the State Auditor by the required due date of May 15, 2017.

**Criteria**

The New Mexico Administrative Code (NMAC) 2.2.2.8 Subsection F “The agency shall deliver the unsigned contract generated by OSA-Connect to the OSA by the deadline specify in the Audit rule” local public bodies that do not qualify for the tiered system the dateline is May 15.

**Cause**

The entity did not submit their audit contract timely.

**Effect**

Audit contracts that are not received by the State Auditor is a violation of the New Mexico Administrative Code.

**Recommendation**

We recommend that management ensure all reports are filed timely with the State Auditor to comply with all New Mexico State Statutes.

**Management Response**

We, the district had great difficulty in getting bids and were unable to complete the RFD process by the required deadline of May 15th. OSA assisted greatly by sending the districts bid request email across the state to a large group of IPA offices. We then received bids and were able to choose an IPA, but the delay resulted in the late submission of our IPA audit contract. We understand that it is our responsibility to ensure these documents are submitted by the due date of May 15th. We will implement proper procedures to make sure that deadline is met in the future.

**Estimated Completion Date**

July 2018

**Responsible party**

Sandra L. Morgan, District Manager, Canadian River Soil & Water Conservation District

**State of New Mexico  
Canadian River Soil and Water Conservation District  
Schedule of Findings and Responses  
For the Year Ended June 30, 2017**

**AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS (CONTINUED)**

**2017-002 Late Audit Report- Compliance Matter**

**Condition**

The audit report was submitted to the State Auditor's Office after the required deadline of December 15.

**Criteria**

Local public bodies including municipalities audits are required to be submitted to the State Auditor by December 15, as required by NMAC 2.2.2.9.

**Cause**

The entity went out for a new RFP and this caused the audit to be started late and submitted after the deadline of December 15.

**Effect**

NMAC 2.2.2.9 was not followed.

**Recommendation**

Management needs to make sure that audit procedures are scheduled in a manner which allows for a timely submission of the financial statements to the State Auditor's Office.

**Management Response**

Because the IPA recommendation form and audit contract were submitted past the due date of May 15th, it also caused a delay in the start of the fieldwork for the District's audit. It also caused the audit report to be submitted late to the OSA. We, the District, will implement new procedures to ensure that the IPA recommendation form and audit contract are submitted in a timely manner. This will allow the district ample time to submit the audit report to the OSA by the required deadline of December 15.

**Estimated Completion Date**

July 2018

**Responsible Party**

Sandra L. Morgan, District Manager, Canadian River Soil & Water Conservation District

**State of New Mexico**  
**Canadian River Soil and Water Conservation District**  
**Other Disclosures**  
**June 30, 2017**

**Financial Statement Preparation**

The financial statements were prepared by Harshwal and Company LLP, CPAs. However, they are the responsibility of management.

**Exit Conference**

An exit conference was held on March 26, 2018. Those present were Mariem Tall, Audit Manager (Harshwal and Company LLP, CPA); Robert Bruce, Supervisor; and Morgan, Administrator.