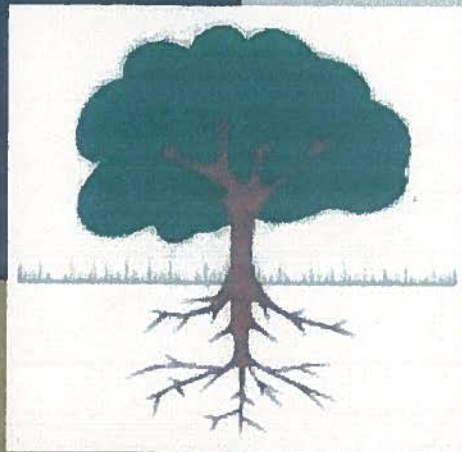


State of New Mexico

# UTE CREEK SWCD



FOR YEAR ENDED JUNE 30, 2014

(WITH AUDITOR'S REPORT THEREON)

**RICE & ASSOCIATES**

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO  
UTE CREEK SOIL & WATER CONSERVATION DISTRICT  
AUDIT REPORT  
For The Year Ended June 30, 2014  
(with Auditor's Report Thereon)

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STATE OF NEW MEXICO  
 Ute Creek Soil & Water Conservation District  
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STATE OF NEW MEXICO  
UTE CREEK SOIL & WATER CONSERVATION DISTRICT  
Official Roster  
Year Ended June 30, 2014

Board of Supervisors

<u>Name</u>	<u>Title</u>
Mr. Terry Mitchell	Chairman
Mr. Harry Hopson	Vice-Chairman
Ms. Caitlin Ward	Secretary/Treasurer
Mr. Roy Mitchell	Supervisor
Ms. Mary Libby Campbell	Supervisor

District Personnel

Ms. Stacie Martinez	Administrative Assistant
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*Rice and Associates, C.P.A.*

AUDITING  
BOOKKEEPING  
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS  
11805 Menaul NE  
Albuquerque, NM 87112

TAX PLANNING  
TAX PREPARATION  
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas  
New Mexico State Auditor  
and  
Board Chairman and Board Supervisors  
Ute Creek Soil & Water Conservancy District  
Roy, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the budgetary comparison for the Ute Creek Soil and Water Conservation District, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Ute Creek Soil and Water Conservation District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 of 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 and each major fund information of the Ute Creek Soil and Water Conservation District, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparison 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 MD&A 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 GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014 on our consideration of the Ute Creek Soil and Water Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ute Creek Soil and Water Conservation District's internal control over financial reporting and compliance.

*Price & Associates, CPA*

Albuquerque, New Mexico  
November 10, 2014

**FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
 UTE CREEK SOIL & WATER CONSERVATION DISTRICT  
 Statement of Net Position  
 June 30, 2014

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 414,095
Total current assets	<u>414,095</u>
Capital Assets	
Equipment	<u>77,258</u>
Total capital assets	<u>77,258</u>
Less accumulated depreciation	(59,406)
Total capital assets (net of accumulated depreciation)	<u>17,852</u>
Total assets	<u>\$ 431,947</u>
<b>LIABILITIES AND NET POSITION</b>	
Current Liabilities	
Accounts payable	\$ -
Total current liabilities	<u>-</u>
Net Position	
Net investment in Capital Assets	17,852
Unrestricted	<u>414,095</u>
Total net position	<u>431,947</u>
Total liabilities and net position	<u>\$ 431,947</u>

The accompanying notes are an integral part of these financial statements.



STATE OF NEW MEXICO  
 UTE CREEK SOIL & WATER CONSERVATION DISTRICT  
 Statement of Activities  
 Year Ended June 30, 2014

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 54,787	\$ -	\$ 420,430	\$ -
Total governmental activities	54,787	-	420,430	-
General Revenues:				
Property taxes				5,054
Investment earnings				107
Total general revenues				5,161
Change in net position				370,804
Net position - beginning of year				61,143
Net position - ending				\$ 431,947

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
 UTE CREEK SOIL & WATER CONSERVATION DISTRICT  
 Balance Sheet  
 Governmental Funds  
 June 30, 2014

Statement 3

	General
<b>ASSETS</b>	
Cash on deposit	\$ 414,095
Total assets	\$ 414,095
 <b>LIABILITIES</b>	
Accounts payable	\$ -
Total liabilities	-
 <b>FUND BALANCE</b>	
Restricted	-
Committed	-
Assigned	-
Unassigned	414,095
Total fund balance	414,095
Total liabilities and fund balance	\$ 414,095

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
UTE CREEK SOIL & WATER CONSERVATION DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position  
June 30, 2014

Statement 4

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

Total fund balances - governmental funds	\$	414,095
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds		
The cost of capital assets	77,258	
Accumulated depreciation	<u>(59,406)</u>	
		17,852
Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year-end consist of:		
Compensated absences		<u>-</u>
Net position of governmental activities	\$	<u><u>431,947</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
 UTE CREEK SOIL & WATER CONSERVATION DISTRICT  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the year ended June 30, 2014

Statement 5

	General Fund
<b>REVENUES</b>	
Taxes	\$ 5,054
Local sources	7,523
State sources	412,907
Earnings from investments	107
Total revenues	425,591
<b>EXPENDITURES</b>	
Current:	
General government	34,985
Capital outlay	-
Total expenditures	34,985
Net change in fund balances	390,606
Fund balance beginning of year	23,489
Fund balance end of year	\$ 414,095

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
 UTE CREEK SOIL & WATER CONSERVATION DISTRICT  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances - Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2014

Statement 6

Net change in fund balances - total governmental funds \$ 390,606

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

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 assets 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 expenses in the period.

Depreciation expense	(19,802)	
Capital outlays	<u>          -</u>	
Excess of capital outlay over depreciation expense		(19,802)

In the Statement of Activities, certain operating expenses are measured by the amount incurred during the year. In the fund financial statements however, expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). The (increase) decrease in the liabilities for the year were:

Compensated absences payable		<u>          -</u>
Change in net position of governmental activities		<u>\$ 370,804</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
 UTE CREEK SOIL & WATER CONSERVATION DISTRICT  
 General Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 5,054	\$ 5,054
Local sources	1,100	1,100	7,523	6,423
State sources	12,500	12,500	412,907	400,407
Earnings from investments	-	-	107	107
<b>Total revenues</b>	<b><u>\$ 13,600</u></b>	<b><u>\$ 13,600</u></b>	<b><u>\$ 425,591</u></b>	<b><u>\$ 411,991</u></b>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 17,899	\$ 17,899	\$ 34,985	\$ (17,086)
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b><u>\$ 17,899</u></b>	<b><u>\$ 17,899</u></b>	<b><u>\$ 34,985</u></b>	<b><u>\$ (17,086)</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 4,299</u></b>	<b><u>\$ 4,299</u></b>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
UTE CREEK SOIL & WATER CONSERVATION DISTRICT  
Notes to Financial Statements  
Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Ute Creek Soil & Water Conservation 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. The Board of Supervisors has chosen to not appoint the two additional supervisors. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

The financial statements of the Ute Creek Soil & Water Conservation District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Conservation District had no component units.

Notes to Financial Statements (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which is normally 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) 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 operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. 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 billed. 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 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.



Notes to Financial Statements (continued)

Property taxes, franchise taxes, licenses, 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. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current 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:

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

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity, if applicable, has been eliminated from the government-wide financial statements.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include: 1) charges for services to taxpayers or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions and 3) program specific capital grants and contributions including special assessments.

Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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.

Notes to Financial Statements (continued)

D. Budgets and Budgetary Accounting

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.

E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest bearing accounts with local financial institutions and the State Treasurer Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the District. The pledged securities remain in the name of the financial institution.

F. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

The cost of inventories are recorded as expenditures when purchased rather than when consumed.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the

Notes to Financial Statements (continued)

government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated Capital Assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Equipment	3
Heavy Equipment	5

The District does not capitalize computer software or software developed for internal use (if applicable) unless it exceeds the \$5,000 threshold.

H. Compensated Absences

It is the policy of the District to permit certain employees to accumulate a limited amount of earned but unused vacation, which will be paid to employees upon separation from the District's service. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. There is no liability for unpaid accumulated annual leave for the fiscal year end.

Sick pay does not vest and is recorded as an expenditure when it is paid.

I. 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.

Notes to Financial Statements (continued)

J. Net Position

The governmental activities financial statements utilize a net position presentation. Net position is categorized as follows:

Net investment in capital assets - This category reflects the portion of net assets that are associates with capital assets less outstanding capital asset related debt.

Restricted net position - This category reflects the portion of net position that have third party limitation on their use.

Unrestricted net position - This category reflects net position of the Conservation District not restricted for any project or other purposes.

K. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are 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. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (District ordinances).

Enabling legislation authorizes the District 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. Legal enforceability means that the District can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposed specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the District Council. Those committed amounts cannot be used for any other purpose unless the District Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the District Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these

## Notes to Financial Statements (continued)

constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the District Council or a District official delegated that authority by the District Council or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

### L. 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.

### M. 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 \$10,000 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.

Notes to Financial Statements (continued)

2. DEPOSITORY COLLATERAL

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the Village's 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.

The following is the Cash on Deposit at each financial institution.

Community First National Bank	General	Checking	\$ 8,739
Community First National Bank	General	Checking	18,856
NMFA	General		<u>387,500</u>
			<u>\$ 415,095</u>
Total amount on deposit			\$ 415,095
Deposit in transit			-
Outstanding checks			<u>(1,000)</u>
Total per financial statements			<u>\$ 414,095</u>

The following schedule details the public money held by Community First National Bank the pledged collateral provided for the Conservation District follows:

	<u>Community First Nat'l Bank</u>
Cash on deposit at June 30	\$ 27,595
Less <u>FDIC</u>	(27,595)
Uninsured funds	-
Funds needing collateralization at 50% (required by State Law)	-
Pledged collateral at June 30	<u>-</u>
Excess of Pledged Collateral	<u>\$ -</u>

*Custodial Credit Risk - Deposits* - Custodial Credit Risk is the risk that in the event of 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, \$0 of the District's bank balance \$27,595 was exposed to custodial credit risk as follows:

A. Uninsured and Uncollateralized	\$ -
B. Uninsured and collateralized with securities held by the pledging banks trust department, but not in the Conservation Districts's name	<u>-</u>
Total	<u>\$ -</u>

Notes to Financial Statements (continued)

NM 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 cooperative for at least one half of the amount on deposit with the institution.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

The amount held at the New Mexico Finance Authority totaling \$387,500 is collateralized within the NMFA guidelines. This information is not available by the individual Agency but the financial statements for the NMFA are available by writing to the New Mexico Finance Authority, 207 Shelby Street, Santa Fe, New Mexico 87501.

3. LONG-TERM LIABILITIES

The Conservation District had no long-term debt at the end of the fiscal year.

4. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semi-annual installments by November 10 and April 10 of the subsequent year. Taxes are collected on behalf of the District by the Harding County Treasurer and San Miguel County Treasurer, and are remitted to the District in the month following collection. Because the Treasurer for the county in which the District is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable County to the District.

5. CAPITAL ASSETS

The amount of property, plant and equipment in the Governmental-Type Activities consists of the following:

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Equipment	\$ 32,628	\$ -	\$ -	\$ 32,628
Heavy equipment	<u>44,630</u>	<u>-</u>	<u>-</u>	<u>44,630</u>
Total capital assets being depreciated	<u>77,258</u>	<u>-</u>	<u>-</u>	<u>77,258</u>
Less accumulated depreciation for:				
Equipment	<u>(39,604)</u>	<u>(19,802)</u>	<u>-</u>	<u>(59,406)</u>
Total accumulated depreciation	<u>(39,604)</u>	<u>(19,802)</u>	<u>-</u>	<u>(59,406)</u>
Net capital assets	<u>\$ 37,654</u>	<u>\$ (19,802)</u>	<u>\$ -</u>	<u>\$ 17,852</u>

Notes to Financial Statements (continued)

6. RETIREMENT PLAN

The District does not participate in the State of New Mexico PERA retirement plan or any other retirement plan.

7. RETIREE HEALTH CARE ACT CONTRIBUTIONS

The District has elected not to participate in the Retiree Health Care Act of New Mexico's retiree health care program.



*Rice and Associates, C.P.A.*

AUDITING  
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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 AUDITOR'S REPORT

Mr. Hector H. Balderas  
New Mexico State Auditor  
and  
Board Chairman and Board Supervisors  
Ute Creek Soil & Water Conservation District  
Roy, New Mexico

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, each major fund and the budgetary comparisons of the Ute Creek Soil and Water Conservation District, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Ute Creek Soil and Water Conservation District's basic financial statements and have issued our report thereon dated November 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the Ute Creek Soil and Water Conservation District's internal control over financial reporting (internal control) to determine the auditing 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 Ute Creek Soil and Water Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ute Creek Soil and Water Conservation District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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. We did identify certain deficiencies in internal control, described in the accompanying Status of Comments and Responses, that we consider to be significant deficiencies: Segregation of Duties (2010-011).

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ute Creek Soil and Water Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 Status of Comments and Responses as Purchase Orders Required (2010-005) and Budget Overruns (2014-001).

#### The Ute Creek Soil and Water Conservation District's Response to Findings

The Ute Creek Soil and Water Conservation District's responses to the findings identified in our audit are described in the accompanying Status of Comments and Responses. The Ute Creek Soil and Water Conservation District's responses were not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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 Ute Creek Soil and Water Conservation District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Road & Associates, CPA*

Albuquerque, New Mexico  
November 10, 2014

## **STATUS OF COMMENTS AND RESPONSES**

### **Prior Year Audit Findings:**

1. Late Audit Report (10-01) - Resolved
2. Receipt Books (10-03) - Resolved
3. Employee Files (10-04) - Resolved
4. Purchase Orders Required (2010-005) (10-05) - Repeated
5. Segregation of Duties (2010-011) (10-11) - Repeated
6. Board Meeting Minutes Not Signed (12-02) - Resolved
7. Board Meeting Minutes Missing (12-03) - Resolved
8. New Hire Reporting (13-01) - Resolved

### **Current Year Audit Findings:**

1. Budget Overrun (2014-001)

Purchase Orders Required - Compliance Matter  
(2010-005)

CONDITION	The District is not using purchase orders for purchases.
CRITERIA	According to the Department of Finance and Administration regulations purchase orders are to be used as part of the internal control process. They are used to ensure the purchase has been authorized, cash and budget are available and the correct fund and line item have been charged.
CAUSE	Purchase orders have not been used in the District for some time.
EFFECT	Department of Finance and Administration regulations have not been followed.
RECOMMENDATION	The District should start using purchase orders as soon as possible.
RESPONSE	Current management is looking into creating a purchase order that will include all relevant data that can be integrated with the current business software.

Segregation of Duties - Significant Deficiency  
(2010-011)

CONDITION	The Administrative Assistant performs all payroll functions, billing and receipting functions and all procurement functions.
CRITERIA	Good internal controls require segregation of payroll, procurement and receipting functions.
CAUSE	The District is a small agency and does not have the resources to separate the functions. Also the District has not established any compensating controls.
EFFECT	The lack of segregation ensures the inability to safeguard the District's assets.
RECOMMENDATION	The Supervisory Board should implement compensating controls in each area to ensure its assets are adequately safeguarded.
RESPONSE	Management is aware of its exposure in this area and will develop board policy describing additional duties for particular elected supervisors that provide needed checks and balances.

Budget Overrun - Other Matter  
(2014-001)

CONDITION                    The District overspent the final approved budget of the General Fund by \$17,086.

CRITERIA                    NMSA 1978 Section 22-8-11 B requires all funds to be spent within established guidelines set for budgets.

CAUSE                        Management did not ensure budget adjustment requests were obtained from DFA by the required deadline. The adjustment would have been related to a grant received in a prior year but a portion of it spent in this fiscal year.

EFFECT                      The District had the adequate cash to pay the overruns but not the required budget authority from DFA.

RECOMMENDATION            Management should review its budget quarterly and request all budget adjustments at that time to ensure budget overruns do not occur.

RESPONSE                    The District will be more diligent in making sure that BARS are submitted for funds that exceed the final approved budget.

## FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2014 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

## EXIT CONFERENCE

An exit conference was held on November 10, 2014. In attendance were Ms. Stacie Martinez, Administrative Assistant and Ms. Pamela A. Rice, CPA, Contract Auditor