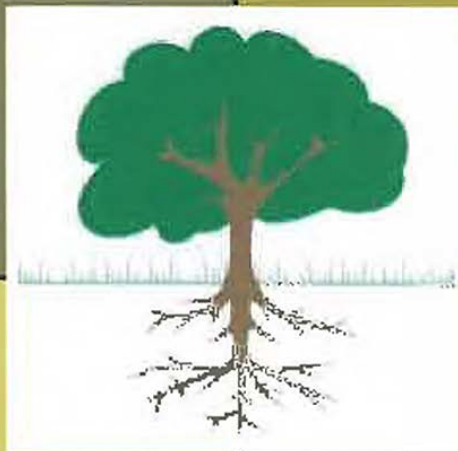


State of New Mexico

UTE CREEK SWCD



FOR YEAR ENDED JUNE 30, 2015

(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, 2015
(with Auditor's Report Thereon)

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, 2015

Board of Supervisors

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

District Personnel

Ms. Stacie Martinez	Administrative Assistant
---------------------	-----------------------------

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. Tim Keller
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, 2015, 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, 2015, 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.

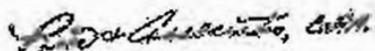
Other Information

Our audit was conducted for the purpose of forming opinions on the Ute Creek Soil & Water Conservation District financial statements and the budgetary comparisons. The Schedule of Vendor Information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Vendor Information is the responsibility of management and was derived from and relates 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 Vendor Information fairly states, 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 September 30, 2015 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.



Albuquerque, New Mexico
September 30, 2015

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 UTE CREEK SOIL & WATER CONSERVATION DISTRICT
 Statement of Net Position
 June 30, 2015

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 400,245
Total current assets	400,245
Capital Assets	
Equipment	77,258
Total capital assets	77,258
Less accumulated depreciation	(68,332)
Total capital assets (net of accumulated depreciation)	8,926
Total assets	\$ 409,171
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable	\$ -
Total current liabilities	-
Net Position	
Net investment in Capital Assets	8,926
Unrestricted	400,245
Total net position	409,171
Total liabilities and net position	\$ 409,171

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, 2015

Statement 2

<u>Functions/Programs</u>	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets	
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
Primary government:					
Governmental activities:					
General government	\$ 445,315	\$ -	\$ 417,183	\$ -	\$ (28,132)
Total governmental activities	445,315	-	417,183	-	(28,132)
 General Revenues:					
Property taxes					5,270
Investment earnings					87
Total general revenues					5,357
Change in net position					(22,775)
Net position - beginning of year					431,946
Net position - ending					\$ 409,171

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, 2015

Statement 3

	General
ASSETS	
Cash on deposit	\$ 400,245
Total assets	\$ 400,245
LIABILITIES	
Accounts payable	\$ -
Total liabilities	-
FUND BALANCE	
Restricted	370,393
Committed	-
Assigned	-
Unassigned	29,852
Total fund balance	400,245
Total liabilities and fund balance	\$ 400,245

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, 2015

Statement 4

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

Total fund balances - governmental funds	\$	400,245
--	----	---------

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>(68,332)</u>	
		8,926

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>409,171</u>
---	----	----------------

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

STATE OF NEW MEXICO

Statement 5

UTE CREEK SOIL & WATER CONSERVATION DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended June 30, 2015

	<u>General Fund</u>
REVENUES	
Taxes	\$ 5,270
Local sources	2,442
State sources	414,741
Earnings from investments	<u>87</u>
Total revenues	<u>422,540</u>
EXPENDITURES	
Current:	
General government	436,389
Capital outlay	<u> </u>
Total expenditures	<u>436,389</u>
Net change in fund balances	(13,849)
Fund balance beginning of year	<u>414,094</u>
Fund balance end of year	<u>\$ 400,245</u>

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, 2015

Statement 6

Net change in fund balances - total governmental funds \$ (13,849)

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	(8,926)	
Capital outlays		-

Excess of capital outlay over depreciation expense		(8,926)
--	--	---------

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		-
Change in net position of governmental activities		\$ (22,775)

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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 4,500	\$ 4,500	\$ 5,270	\$ 770
Local sources	3,500	3,500	2,442	(1,058)
State sources	402,500	402,500	414,741	12,241
Earnings from investments	100	100	87	(13)
Total revenues	\$ 410,600	\$ 410,600	\$ 422,540	\$ 11,940
EXPENDITURES				
Current:				
General government	\$ 412,191	\$ 412,191	\$ 436,389	\$ (24,198)
Capital outlay	-	-	-	-
Total expenditures	\$ 412,191	\$ 412,191	\$ 436,389	\$ (24,198)
BUDGETED CASH BALANCE	\$ 1,591	\$ 1,591		

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, 2015

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.

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.

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.

Notes to Financial Statements (continued)

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 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

Notes to Financial Statements (continued)

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

The District has no full time employees, so no annual leave can be earned.

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. At the end of the fiscal year, there were no long-term obligations.

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

Notes to Financial Statements (continued)

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 purposes 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 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.

Notes to Financial Statements (continued)

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.

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.

First National Bank	General	Checking	\$ 16,822
First National Bank	General	Checking	14,291
NMFA	General		<u>370,393</u>
			<u>\$ 401,506</u>
Total amount on deposit			\$ 401,506
Deposit in transit			
Outstanding checks			<u>(1,261)</u>
Total per financial statements			<u>\$ 400,245</u>

Notes to Financial Statements (continued)

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

	<u>First Nat'l Bank</u>
Cash on deposit at June 30	\$ 31,113
Less FDIC	<u>(31,113)</u>
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 \$31,113 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>

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 \$370,393 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.

Notes to Financial Statements (continued)

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. Total delinquent property taxes are not available from the County Treasurer's Office for the current year.

5. CAPITAL ASSETS

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

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</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>(59,406)</u>	<u>(8,926)</u>	<u>-</u>	<u>(68,332)</u>
Total accumulated depreciation	<u>(59,406)</u>	<u>(8,926)</u>	<u>-</u>	<u>(68,332)</u>
Net capital assets	<u>\$ 17,852</u>	<u>\$ (8,926)</u>	<u>\$ -</u>	<u>\$ 8,926</u>

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.

SUPPLEMENTARY INFORMATION

Ute Creek Soil and Water Conservation District
 SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)
 For the Year Ended June 30, 2015

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor {Y or N} (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference {Y or N} For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
N/A	Bid	Trainham Cattle Company	100000	100000	Trainham Cattle Company (only bidder)	In-State	No	Fencing for Riparian Restoration Project
N/A	Bid	Boss Reclamation	198000	218582	Boss Reclamation LLC (only bidder)	In-State	No	All Salt Cedar in a designated area to be masticated.

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
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Albuquerque, NM 87112

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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. Tim Keller
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, 2015 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 September 30, 2015.

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), Chief Procurement Officer (2015-001), 1099 Forms (2015-002) and Incorrect DFA Report (2015-003).

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.

Ray & Associates, LLP

Albuquerque, New Mexico
September 30, 2015

STATUS OF COMMENTS AND RESPONSES

Prior Year Audit Findings:

1. Purchase Orders Required (2010-005) (10-05) - Repeated
2. Segregation of Duties (2010-011) (10-11) - Repeated
3. Budget Overrun (2014-001) - Repeated

Current Year Audit Findings:

1. Chief Procurement Officer (2015-001)
2. 1099 Forms (2015-002)
3. Incorrect DFA report (2015-003)

Purchase Orders Required - Compliance Matter
(2010-005)

CONDITION The District is not using purchase orders for purchases. Current management has been looking into creating a purchase order system.

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.

Board appointed supervisor in conjunction with the Administrative Assistant will review and resolve this situation by March 31, 2016.

Segregation of Duties - Significant Deficiency
(2010-011)

CONDITION	The Administrative Assistant performs all payroll functions, billing and receipting functions and all procurement functions. Management is reviewing its options on how to resolve this issue.
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. Board appointed supervisor in conjunction with the Administrative Assistant will review and resolve this situation by March 31, 2016.

Budget Overrun - Other Matter
(2014-001)

CONDITION The District overspent the final approved budget of the General Fund by \$24,198. Management has not made any progress in this area.

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.

 Board appointed supervisor in conjunction with the Administrative Assistant will review and resolve this situation by March 31, 2016.

Chief Procurement Officer - Other Matter
(2015-001)

CONDITION As of July 1, 2015, the district did not have a Chief Procurement Officer.

CRITERIA According to NM State Statute 13-1-95.2 only certified chief procurement officers may approve procurement pursuant to the Procurement Code.

CAUSE Management did not ensure that someone attended the certification program before July 1, 2015 and become certified.

EFFECT Management did not comply with NM State Statute 13-1-95.2.

RECOMMENDATION Management should ensure that someone attend the next certification program and become certified.

RESPONSE Management will ensure someone attends the next certification and become certified.

 Board appointed supervisor in conjunction with the Administrative Assistant will review and resolve this situation by March 31, 2016.

1099 Forms Not Prepared and Submitted to the IRS -
Other Matter
(2015-002)

CONDITION	Management of the District did not prepare the required IRS 1099 forms (totaling \$266,597) for the 2014 Calendar year.
CRITERIA	IRS regulations require 1099 forms be prepared and filed with the IRS, "if you made or received a payment during the calendar year as a small business or self-employed (individual)."
CAUSE	Management did not perform this required IRS regulation.
EFFECT	IRS regulations were not followed.
RECOMMENDATION	Management should prepare and submit those forms to the IRS as soon as possible.
RESPONSE	<p>The District will correct this issue promptly.</p> <p>Board appointed supervisor in conjunction with the Administrative Assistant will review and resolve this situation by March 31, 2016.</p>

Incorrect DFA Report - Other Matter
(2015-003)

CONDITION Management did not properly prepare the quarterly DFA report for the fourth quarter ending June 30, 2015.

CRITERIA The quarterly reports prepared and submitted to the Department of Finance and Administration should be prepared from and reflect the books of records.

CAUSE Management did not ensure the quarterly reports agreed to the books and records. Also, DFA staff requested that the report be changed, however, not ensuring that the cash balances agreed to the reconciled bank balances.

EFFECT The DFA report did not properly reflect the actual cash balances and NMFA grant received.

RECOMMENDATION Management should ensure that all transactions be recorded on the DFA report and match the transactions of the books and records.

RESPONSE Management will ensure that all future DFA reports will reflect the transactions of the District's books and records.

 Board appointed supervisor in conjunction with the Administrative Assistant will review and resolve this situation by March 31, 2016.

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2015 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 September 30, 2015. In attendance were Ms. Stacie Martinez, Administrative Assistant, Mr. Terry Mitchell, Chairman, Ms. Sally Trigg, Supervisor, Mr. Antonio Lucero, Contract Auditor and Ms. Pamela A. Rice, CPA, Contract Auditor.