



State of New Mexico  
**Ute Creek Soil & Water Conservation District**

**Annual Financial Report**  
June 30, 2018

**De'Aun Willoughby CPA, PC**  
Certified Public Accountant  
Clovis, New Mexico



	<u>Page</u>
Official Roster.....	3
Independent Auditor's Report.....	4-5
<b>Financial Section</b>	
Basic Financial Statements	
Government Wide Financial Statements	
Statement of Net Position .....	7
Statement of Activities .....	8
Fund Financial Statements	
Government Funds - Balance Sheet .....	9
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	10
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	11
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities .....	12
<b>General Fund</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis) .....	13
Notes to Financial Statements .....	14-19
<b>Federal Compliance</b>	
Schedule of Expenditures of Federal Awards.....	21
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> .....	22-23
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance.....	24-25
Schedule of Findings and Questioned Costs.....	26-29
<b>Unaudited Supplemental Information</b>	
Summary Schedule of Prior Audit Findings .....	30-31

State of New Mexico  
**Ute Creek Soil & Water Conservation District**  
Official Roster  
June 30, 2018

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**Board of Supervisors**

Terry Mitchell	Chairman
Harry Hopson	Vice-Chairman
Mary Libby Campbell	Secretary/Treasurer
Sally Trigg	Supervisor
Roy Mitchell	Supervisor

**District Personnel**

Stacie Martinez	Administrative Assistant
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De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report

Mr. Wayne Johnson  
State Auditor of the State of New Mexico  
Board Members of the Ute Creek Soil & Water Conservation District

Mr. Johnson and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major general fund and the budgetary comparison for the Ute Creek Soil & Water Conservation District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 the major fund of the District as of June 30, 2018, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financials statements.

The Schedule of Expenditures of Federal Awards 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 Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*De'Aun Willoughby, CPA, PC*

Clovis, New Mexico  
November 20, 2018

## **Financial Section**

State of New Mexico  
**Ute Creek Soil & Water Conservation District**  
Statement of Net Position  
June 30, 2018

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Assets		
Current Assets		
Cash and Cash Equivalents	\$	101,054
Total Current Assets		<u>101,054</u>
Noncurrent Assets		
Capital Assets		77,258
Accumulated Depreciation		<u>(27,087)</u>
Total Noncurrent Assets		<u>50,171</u>
Total Assets		<u>151,225</u>
Liabilities		
Current Liabilities		
Accounts Payable		7,131
Accrued Salaries and Benefits		<u>2,368</u>
Total Current Liabilities		<u>9,499</u>
Total Liabilities		<u>9,499</u>
Net Position		
Invested in Capital Assets		50,171
Unrestricted		<u>91,555</u>
Total Net Position	\$	<u>141,726</u>

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

State of New Mexico  
**Ute Creek Soil & Water Conservation District**  
 Government-Wide Statement of Activities  
 For the Year Ended June 30, 2018

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	Governmental Activities
Program Expenses	
Conservation Programs	\$ 1,229,111
Operating Expenses	37,593
Total Program Expenses	<u>1,266,704</u>
Program Revenues	
Conservation Grants	1,277,636
Fees	3,442
Total Program Revenues	<u>1,281,078</u>
Net Program (Expense) Revenue	<u>14,374</u>
General Revenues	
Property Taxes	4,856
State Allocation	13,641
Miscellaneous	3,142
Total General Revenues	<u>21,639</u>
Change in Net Position	36,013
Net Position at Beginning of Year	<u>105,713</u>
Net Position at End of Year	<u>\$ 141,726</u>

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



State of New Mexico  
**Ute Creek Soil & Water Conservation District**  
Governmental Fund  
Balance Sheet  
June 30, 2018

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	<u>General Fund</u>
Assets	
Cash and Cash Equivalents	\$ 101,054
Total Assets	<u>\$ 101,054</u>
Liabilities	
Accounts Payable	\$ 7,131
Accrued Salaries and Benefits	<u>2,368</u>
Total Liabilities	<u>9,499</u>
Fund Balances	
Unrestricted	<u>91,555</u>
Total Fund Balances	<u>91,555</u>
Total Liabilities and Fund Balances	<u>\$ 101,054</u>

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

State of New Mexico  
**Ute Creek Soil & Water Conservation District**  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Position  
 June 30, 2018

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Total Fund Balance - Governmental Funds	\$	91,555
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital Assets	\$	77,258	
Accumulated Depreciation		<u>(27,087)</u>	<u>50,171</u>
Total Net Position - Governmental Activities	\$		<u><u>141,726</u></u>

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

State of New Mexico  
**Ute Creek Soil & Water Conservation District**  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes  
 in Fund Balance  
 For the Year Ended June 30, 2018

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	General Fund
Revenues	
Fees	\$ 3,442
Property Taxes	4,856
Federal Grant	1,277,636
State and Local Grants	13,641
Miscellaneous	3,142
Total Revenues	<u>1,302,717</u>
Expenditures	
Current	
Conservation Programs	1,224,678
Advertising & Legal Notices	705
Audit Services	6,167
Awards & Presentations	195
Bank Fees	156
Insurance	3,849
Dues	900
Education	266
Meeting Expenses	3,280
Office	608
Payroll	19,834
Mileage-Supervisors	1,633
Total Expenditures	<u>1,262,271</u>
Excess (Deficiency) of Revenues Over Expenditures	40,446
Fund Balances at Beginning of Year	<u>51,109</u>
Fund Balance End of Year	<u>\$ 91,555</u>

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

State of New Mexico  
**Ute Creek Soil & Water Conservation District**  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 to the Statement of Activities  
 June 30, 2018

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Excess (Deficiency) of Revenues Over Expenditures-Governmental Funds	\$	40,446
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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 Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$	<u>(4,433)</u>	<u>(4,433)</u>
Changes in Net Position of Governmental Activities	\$	<u><u>36,013</u></u>	

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

State of New Mexico

**Ute Creek Soil & Water Conservation District**

Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Federal Grants	\$ 1,060,000	\$ 1,060,000	\$ 1,277,637	\$ 217,637
State Grants	850,000	850,000	0	(850,000)
Local Grants	15,000	15,000	13,641	(1,359)
Fees	50,000	50,000	3,442	(46,558)
Property Taxes	5,000	5,000	4,856	(144)
Miscellaneous	6,344	6,344	3,142	(3,202)
Total Revenues	<u>1,986,344</u>	<u>1,986,344</u>	<u>1,302,718</u>	<u>(683,626)</u>
<b>Expenses</b>				
Conservation				
Federal-Game & Fish	1,854,200	1,854,200	1,221,236	632,964
Local	7,500	7,500	3,565	3,935
Advertising & Legal Notices	300	300	705	(405)
Audit Services	10,000	10,000	6,167	3,833
Awards & Presentations	200	200	212	(12)
Bank Fees	150	150	156	(6)
Insurance	1,000	1,000	3,849	(2,849)
Dues	1,500	1,500	900	600
Education	150	150	266	(116)
Meeting Expenses	2,500	2,500	3,281	(781)
Office	700	700	608	92
Payroll	19,968	19,968	18,311	1,657
Mileage-Supervisors	2,000	2,000	1,810	190
Total Expenses	<u>1,900,168</u>	<u>1,900,168</u>	<u>1,261,066</u>	<u>639,102</u>
Net Change in Cash Balance	86,176	86,176	41,652	(44,524)
Cash Balance Beginning of Year	<u>59,402</u>	<u>59,402</u>	<u>59,402</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 145,578</u>	<u>\$ 145,578</u>	<u>\$ 101,054</u>	<u>\$ (44,524)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Net Change in Cash Balance-Cash Basis			\$ 41,652	
Accounts Payables			317	
Payroll Liabilities			(939)	
Accrued Payroll			(584)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 40,446</u>	

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

## **I. Summary of Significant Accounting Policies**

### **A. Reporting Entity**

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

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

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

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

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

The government-wide financial statements (i.e., the statement of net position) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to 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 program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular program which includes conservation grants and 3) capital grants or contributions restricted to meeting capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

Property taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental fund:

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

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

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

##### **Cash and Investments**

The District's cash consists of demand deposits.

##### **Taxes**

Property taxes attach an enforceable lien as of January 1. Taxes are payable in equal semi-annual installments on November 10 and April 10 of the subsequent year. The taxes become delinquent thirty days after the due date. The taxes are collected by the County Treasurer and are remitted to the District in the month following collection.

##### **Capital Assets**

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

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

Vehicles and Equipment	10-30 years
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**Accounts payable**

The account payable as of the balance sheet date includes routine monthly bills for services rendered and products purchased which are paid in the following month.

**Net Position**

The difference between the District's assets and liabilities is its net position. The District's net position consist of two components — invested in capital assets, which is the cost of capital assets, net of accumulated depreciation and unrestricted net position.

**Restricted Net Position**

For the government-wide statement of net position, net positions are reported as restricted when constraints placed on net positions use are either:

- (1) Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;
- (2) Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available it will first be applied to restricted resources.

**Fund Balances of Fund Financial Statements**

Nonspendable fund balance indicates that portion of fund equity is not spendable such as inventory.

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual amount that is not restricted or committed.

**II. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

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

1. Prior to April 1, the Budget Committee submits to the District Board of Supervisors a proposed revenue and expenditure budget for the fiscal year beginning July 1.
2. The Board reviews the budget proposal and makes any necessary adjustments.
3. Prior to June 1, the Board approves the budget by passing a resolution.



4. Prior to June 20, the approved budget is submitted to the State of New Mexico, Department of Finance and Administration, Local Government Division (DFA-LGD) for approval by the first Monday of September. The Board receives notice of the approved budget.

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

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

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

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

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

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

**III. Detailed Notes**

**A. Cash and Investments**

	Balance Per Bank 6/30/18	Reconciled Balance	
First National Bank New Mexico			
<u>Checking Accounts</u>			
Operating	\$ 69,654	\$ 69,615	Non-Interest
Money Market	31,439	31,439	Interest Bearing
Total Cash in Banks	<u>\$ 101,093</u>	<u>101,054</u>	

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

In accordance with Section 6-10-17, NMSA 1978 compilation, deposits of public monies are required to be collateralized. Pledged collateral is required in amounts in aggregate equal to one half of the amount of uninsured public money in each account during the fiscal year. Securities are valued at market value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation.

State of New Mexico  
**Ute Creek Soil & Water Conservation District**  
Notes to the Financial Statements  
June 30, 2018

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Total Deposited at Wells Fargo Bank	\$	101,093
Less FDIC Coverage		<u>(101,093)</u>
Uninsured Amount		0
50% collateral requirement		0
Pledged securities		0
Over (Under) requirement	\$	<u><u>0</u></u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2018 None of the District's bank balance of \$101,093 was exposed to custodial credit risk.

**B. Capital Assets**

Capital Assets Balances and Activity for the Year Ended June 30, 2018, is as follows:

	Balance 6/30/17	Increases	Deletions	Balance 6/30/18
Capital Assets being Depreciated				
Equipment	77,258	0	0	77,258
Total Capital Assets	<u>77,258</u>	<u>0</u>	<u>0</u>	<u>77,258</u>
Less Accumulated Depreciation				
Equipment	22,654	4,433	0	27,087
Total Accumulated Depreciation	<u>22,654</u>	<u>4,433</u>	<u>0</u>	<u>27,087</u>
Capital Assets, net	\$ <u>54,604</u>	\$ <u>4,433</u>	\$ <u>0</u>	\$ <u>50,171</u>

**IV. Other Information**

**A. Retirement Plan**

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

**B. Retiree Health Care Act**

The District does not participate in the Retiree Health Care Act plan or any other healthcare plan.

**C. Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, natural disasters, and worker's compensation. Commercial insurance covers all losses. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the prior three years. There were no claim liabilities at year end.

**D. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at the time, although the government expects such amounts, if any to be immaterial.

**E. Subsequent Events**

Subsequent events were evaluated through November 20, 2018, which is the date the financial statements were available to be issued.

## **Federal Compliance**

State of New Mexico  
**Ute Creek Soil & Water Conservation District**  
 Schedule of Expenditures of Federal Awards (SEFA)  
 For the Year Ended June 30, 2018

Federal Agency/Pass Through Grantor/Program Title	Federal CFDA Number	State ID Number	Total Federal Awards Expended
<u>U. S. Department of Interior</u>			
Pass-through New Mexico Game and Fish Wildlife Restoration Program	15.611	W-157-D-1	\$ 1,197,636
<u>U. S. Department of Agriculture</u>			
Pass-through New Mexico Game and Fish Partnership Agreements	10.699	17-PA-11030300-015	<u>80,000</u>
Total Federal Assistance			<u>\$ 1,277,636</u>

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

A. Significant Accounting Policies used in preparing the SEFA

The Schedule of Expenditures of Federal Awards was prepared on the accrual basis of accounting.

B. Loans or Loan Guarantees

There were no loans or loan guarantees outstanding at year end.

C. De Minimis Indirect Rate

The District did not elect the 10% de minimis indirect cost rate. The District does receive any money for administrative costs.

D. Insurance Requirements

There are no insurance requirements on the federal awards disclosed on the Schedule of Expenditures of Federal Awards.

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
In Accordance with Government Auditing Standards

Independent Auditor's Report

Mr. Wayne Johnson  
State Auditor of the State of New Mexico  
Board Members of the Ute Creek Soil & Water Conservation District

Mr. Johnson and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund of the Ute Creek Soil & Water Conservation District (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, 2018-001

#### The District's Responses to Findings

The District's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Responses. The District's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*De'Aun Willoughby, CPA, PC*

Clovis, New Mexico

November 20, 2018

Report on Compliance With Requirements  
Applicable To Each Major Program and Internal Control  
Over Compliance in Accordance With OMB Uniform Guidance

Independent Auditor's Report

Mr. Wayne Johnson  
State Auditor of the State of New Mexico  
Board Members of the Ute Creek Soil & Water Conservation District

Mr. Johnson and Members of the Board

Report on Compliance for Each Major Federal Program

We have audited Ute Creek Soil & Water Conservation District's (District) compliance with the types of compliance requirements described in the Title 2 U.S. CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) that could have a direct and material effect on the District's major federal program for the year ended June 30, 2018. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.



#### Other Matter

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001. Our opinion on the major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be significant deficiencies.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*De'Aun Willoughby, CPA, PC*

Clovis, New Mexico  
November 20, 2018

**A. Summary of Audit Results**

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting

\* Material weaknesses identified? No

\* Significant deficiencies identified? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

\* Material weaknesses identified? No

\* Significant deficiencies identified? Yes

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance No

Identification of major programs:

<u>CFDA Numbers)</u>	<u>Name of Federal Program of Cluster</u>
15.611	Wildlife Restoration Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Audited qualified as low risk Auditee No

### **Federal Compliance Findings**

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

None

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

##### **2018-001 Data Collection Form-Compliance and Internal Control-Significant Deficiency**

###### **Condition**

Fiscal year 2017 Data Collection form was not submitted to the Federal Audit Clearinghouse timely.

###### **Criteria**

The audit package and the data collection form shall be submitted 30 days after receipt of the auditor's report(s), or 9 months after the end of the fiscal year —whichever comes first. Uniform Guidance 2 CFR 200.512.

###### **Cause**

The audit contract was not signed until February 8, 2018. This did not allow the auditor time to complete the audit before the audit package and the data collection form was due by March 31, 2018.

###### **Effect**

If the District is not in compliance with the due date of the submission of the audit package and the data collection form as Uniform Guidance 2 CFR 200.512 requires, then the District does not qualify as a low-risk auditee.

###### **Recommendation**

The audit should be contracted in a timely manner to submit the audit package and the data collection form by the due date.

###### **Response**

Audits will be contracted in a timely manner giving enough time for the auditing firm to complete the audit so the data collection form can be submitted within the time frame allowed by Uniform Guidance 2 CFR 200.512.

###### **Responsible Person and Time Line**

Stacie Martinez, Administrative Assistant and Board members. The District has corrected this finding.

State of New Mexico  
**Ute Creek Soil & Water Conservation District**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2018

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**Financial Statements Findings**

**Prior Year Audit Findings**

	Status
2017-001 941 and State Unemployment Reports	Repeated & Modified
2017-002 Late IPA Recommendation and Audit Contract	Resolved
2017-003 Late Audit Report	Resolved

**Current Year Audit Findings**

**2017-001 State Unemployment Reports - Compliance and Other Matter  
 Condition**

During our audit process we found the 9/30/17 State Unemployment quarterly report was not submitted timely. The report due date was 10/31/17 however, the report was submitted on 11/28/17.

**Management has made progress on this finding.**

**Criteria**

New Mexico Department of Labor, Employment Security Division. State Unemployment (SUTA Form 903A) is due by the last day of the month following end of the quarter.

**Cause**

The late filed reports were an oversight of the administrative assistant.

**Effect**

(a) The District received a failure to file penalty of \$36.67, failure to pay penalty of \$4.07, and interest charges of \$1.87 for a total of \$42.61.

(b) The District could have to pay the State a fee for Failure to file, Failure to pay as well as Interest charges.

**Recommendation**

Adding the report due dates to the calendar would be a reminder when the reports are due.

**Response**

The report due dates will be added to the calendar as a reminder and all reports will be submitted in a timely matter.

**Responsible Person and Timeline**

The administrative assistant is responsible for this finding and considers it resolved.

State of New Mexico

**Ute Creek Soil & Water Conservation District**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2018

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**2018-002 Certified Chief Procurement Officer-Compliance and Other Matter**

**Condition**

The District does not have a certified and registered CPO.

**Criteria**

NMAC 1.4.1.94 (D) - Chief procurement officer duties, responsibilities and obligations. On and after July 1, 2015, only certified chief procurement officers may: (1) make determinations, including determinations regarding exemptions, pursuant to the Procurement Code; (2) issue purchase orders and authorize small purchases pursuant to the Procurement Code; and (3) approve procurement pursuant to the Procurement Code; (4) provided that, persons using procurement cards may continue to issue purchase orders and authorize small purchases.

**Cause**

The administrative staff was unaware that they need to meet this requirement.

**Effect**

The purpose of the training was to improve the procurement process through gained knowledge. Issuing purchase orders by someone other than the CPO negates the purpose of the training.

**Recommendation**

The Administrative Assistant should obtain his chief procurement officer certificate and register with the New Mexico General Services Department.

**Response**

The district will ensure that the CPO will obtain a new certificate before the current one expires.

**Responsible Person and Timeline**

The board is responsible for this finding and will ensure the CPO certificate is renewed before the expiration date of the current certificate.

**Financial Statement Preparation**

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

**Exit Conference**

An exit conference was held on November 20, 2018. Those present were Mary Campbell-Secretary/Treasurer of the Board, Stacie Martinez-Administrative Assistant, and De'Aun Willoughby, CPA.

Terry Mitchell, Chairman  
Harry Hopson, Vice-Chairman  
Mary Libby-Campbell, Sec-Treas.



Roy Mitchell, Member  
Sally Trigg, Member  
Stacie Martinez,  
Administrative Assistant

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**Ute Creek Soil and Water Conservation District**  
P O Box 68, Roy, NM 87743 Phone (575) 485-2294

Prior Year Audit Findings:

2017 Audit Findings

**Federal Awards Findings:**

None

**Financial Statement Findings:**

2017-001 941 and State Unemployment Reports - Resolved  
2017-002 Late IPA Recommendation and Audit Contract - Resolved  
2017-003 Late Audit Report - Resolved

2018 Audit Findings

**Federal Awards Findings:**

2018-001 Data Collection Form (New)

- Specific corrective action plan for finding:  
Audits will be contracted in a timely manner giving enough time to the auditing firm to submit the data collection form on time.
- Timeline for completion of corrective action plan:  
Audit will be contracted by the date set forth by the New Mexico State Auditor's office.
- Employee position(s) responsible for meeting timeline:  
Stacie Martinez, Administrative Assistant and Board members

**Financial Statement Findings:**

2017-001 State Unemployment Report (Repeated and Modified)

- Specific corrective action plan for finding:  
State unemployment reports will be submitted in a timely manner.
- Timeline for completion of corrective action plan:  
State unemployment report has been submitted.
- Employee position(s) responsible for meeting timeline:

Stacie Martinez, Administrative Assistant

2018-002 Certified Chief Procurement Officer (New)

- Specific corrective action plan for finding:  
A Certified Chief Procurement Officer will stay up to date so a time lapse will not happen again.
- Timeline for completion of corrective action plan:  
Supervisor, Sally Trigg, has completed the CPO recertification class and is certified until August 2020.
- Employee position(s) responsible for meeting timeline:  
Supervisor, Sally Trigg.

2018-003 DFA Report (New)

- Specific corrective action plan for finding:  
Outstanding checks will be recorded on the quarterly DFA report.
- Timeline for completion of corrective action plan:  
Outstanding checks will be recorded on all quarterly reports beginning in December 2018.
- Employee position(s) responsible for meeting timeline:  
Administrative Assistant, Stacie Martinez.