



State of New Mexico
Ute Creek Soil & Water Conservation District

Annual Financial Report
June 30, 2019

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



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State of New Mexico
Ute Creek Soil & Water Conservation District
Official Roster
June 30, 2019

Board of Supervisors

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

District Personnel

Stacie Martinez	Administrative Assistant
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De'Aun Willoughby CPA, PC

Certified Public Accountant

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(855) 253-4313

Independent Auditor's Report

Mr. Brian S. Colón
State Auditor of the State of New Mexico
Board Members of the Ute Creek Soil & Water Conservation District

Mr. Colón 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, 2019, 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, 2019, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2019, 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
December 11, 2019

Financial Section

State of New Mexico
Ute Creek Soil & Water Conservation District
Statement of Net Position
June 30, 2019

Assets		
Current Assets		
Cash and Cash Equivalents	\$	79,536
Due from Grantor		39,873
Total Current Assets		<u>119,409</u>
Noncurrent Assets		
Capital Assets		77,258
Accumulated Depreciation		(31,520)
Total Noncurrent Assets		<u>45,738</u>
Total Assets		<u>165,147</u>
Liabilities		
Current Liabilities		
Accounts Payable		47,133
Accrued Salaries and Benefits		2,528
Total Current Liabilities		<u>49,661</u>
Total Liabilities		<u>49,661</u>
Net Position		
Invested in Capital Assets		45,738
Unrestricted		69,748
Total Net Position	\$	<u>115,486</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, 2019

	Governmental Activities
Program Expenses	
Conservation Programs	\$ 178,256
Operating Expenses	54,645
Total Program Expenses	<u>232,901</u>
Program Revenues	
Conservation Grants	184,562
Total Program Revenues	<u>184,562</u>
Net Program (Expense) Revenue	<u>(48,339)</u>
General Revenues	
Property Taxes	4,827
State Allocation	13,390
Miscellaneous	3,882
Total General Revenues	<u>22,099</u>
Change in Net Position	(26,240)
Net Position at Beginning of Year	<u>141,726</u>
Net Position at End of Year	<u>\$ 115,486</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, 2019

	<u>General Fund</u>
Assets	
Cash and Cash Equivalents	\$ 79,536
Due from Grantor	39,873
Total Assets	<u>\$ 119,409</u>
Liabilities	
Accounts Payable	\$ 47,133
Accrued Salaries and Benefits	2,528
Total Liabilities	<u>49,661</u>
Fund Balances	
Unrestricted	<u>69,748</u>
Total Fund Balances	<u>69,748</u>
Total Liabilities and Fund Balances	<u>\$ 119,409</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, 2019

Total Fund Balance - Governmental Funds \$ 69,748

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>(31,520)</u>	<u>45,738</u>
Total Net Position - Governmental Activities		\$ <u><u>115,486</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, 2019

	General Fund
Revenues	
Property Taxes	\$ 4,827
State and Local Grants	197,952
Miscellaneous	3,882
Total Revenues	<u>206,661</u>
Expenditures	
Current	
Conservation Programs	178,256
Advertising & Legal Notices	1,393
Audit Services	14,389
Awards & Presentations	259
Insurance	3,971
Dues	2,725
Education	2,749
Elections	500
Meeting Expenses	1,109
Office	1,330
Payroll	20,313
Mileage-Supervisors	1,426
Other	48
Total Expenditures	<u>228,468</u>
Excess (Deficiency) of Revenues Over Expenditures	(21,807)
Fund Balances at Beginning of Year	<u>91,555</u>
Fund Balance End of Year	<u>\$ 69,748</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, 2019

Excess (Deficiency) of Revenues Over Expenditures-Governmental Funds \$ (21,807)

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>
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Changes in Net Position of Governmental Activities	\$ <u><u>(26,240)</u></u>
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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, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grants	\$ 200,000	\$ 200,000	\$ 0	\$ (200,000)
State Grants	100,000	100,000	120,000	20,000
Local Grants	17,000	17,000	16,095	(905)
Property Taxes	5,000	5,000	4,827	(173)
Miscellaneous	4,373	4,373	25,865	21,492
Total Revenues	<u>326,373</u>	<u>326,373</u>	<u>166,787</u>	<u>(159,586)</u>
Expenses				
Conservation				
Federal-US Forest Service	200,000	200,000	0	200,000
Local	97,000	97,000	138,383	(41,383)
Advertising & Legal Notices	750	750	1,393	(643)
Audit Services	10,000	10,000	14,389	(4,389)
Awards & Presentations	350	350	259	91
Bank Fees	200	200	0	200
Insurance	4,000	4,000	3,971	29
Dues	1,500	1,500	2,725	(1,225)
Education	3,850	3,850	2,749	1,101
Elections	0	0	500	(500)
Meeting Expenses	0	0	1,109	(1,109)
Office	1,200	1,200	1,330	(130)
Payroll	19,968	19,968	20,154	(186)
Mileage-Supervisors	3,000	3,000	1,295	1,705
Miscellaneous	8,500	8,500	48	8,452
Total Expenses	<u>350,318</u>	<u>350,318</u>	<u>188,305</u>	<u>162,013</u>
Net Change in Cash Balance	(23,945)	(23,945)	(21,518)	2,427
Cash Balance Beginning of Year	<u>101,054</u>	<u>101,054</u>	<u>101,054</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 77,109</u>	<u>\$ 77,109</u>	<u>\$ 79,536</u>	<u>\$ 2,427</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance-Cash Basis			\$ (21,518)	
Due from Grantor			39,873	
Accounts Payables			(47,012)	
Payroll Liabilities			(280)	
Accrued Payroll			121	
Loan Payment			7,009	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (21,807)</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).

The reconciliation is located at the bottom of the Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

III. Detailed Notes

A. Cash and Investments

	Balance Per Bank 6/30/19	Reconciled Balance	
First National Bank New Mexico			
<u>Checking Accounts</u>			
Operating	\$ 45,736	\$ 43,078	Non-Interest
Money Market	36,458	36,458	Interest Bearing
Total Cash in Banks	<u>\$ 82,194</u>	<u>79,536</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, 2019

Total Deposited at Wells Fargo Bank	\$	82,194
Less FDIC Coverage		<u>(82,194)</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, 2019, None of the District's bank balance of \$82,194 was exposed to custodial credit risk.

B. Capital Assets

Capital Assets Balances and Activity for the Year Ended June 30, 2019, is as follows:

	Balance 6/30/18	Increases	Deletions	Balance 6/30/19
Capital Assets being Depreciated				
Equipment	<u>77,258</u>	<u>0</u>	<u>0</u>	<u>77,258</u>
Total Capital Assets	<u>77,258</u>	<u>0</u>	<u>0</u>	<u>77,258</u>
Less Accumulated Depreciation				
Equipment	<u>27,087</u>	<u>4,433</u>	<u>0</u>	<u>31,520</u>
Total Accumulated Depreciation	<u>27,087</u>	<u>4,433</u>	<u>0</u>	<u>31,520</u>
Capital Assets, net	<u>\$ 50,171</u>	<u>\$ 4,433</u>	<u>\$ 0</u>	<u>\$ 45,738</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 December 11, 2019, which is the date the financial statements were available to be issued.

F. Tax Abatement Disclosures

The District has not been affected by a tax abatement.

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. Brian S. Colón
State Auditor of the State of New Mexico
Board Members of the Ute Creek Soil & Water Conservation District

Mr. Colón 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, and the budgetary comparison for the general fund of the Ute Creek Soil & Water Conservation District (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 11, 2019.

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. However, material weaknesses may exist that have not been identified.

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 an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as items 2019-001, 2019-002, 2019-003, 2019-004 and 2019-005.

The District's Responses to Findings

The District's responses to the finding identified in our audit as described in the accompanying schedule of findings and responses. Responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. This report is intended solely for the information and use of the District, the New Mexico State Auditor's Office and Department of Finance and Administration, Local Government Division and the New Mexico Legislature and is not intended to be and should not be used by anyone other than those specified parties.

De'Aun Willoughby, CPA, PC

Clovis, New Mexico

December 11, 2019

Financial Statements Findings

Prior Year Audit Findings	<u>Status</u>
2017-001 941 and State Unemployment Reports	Repeated & Modified
2018-002 Certified Chief Procurement Officer	Repeated & Modified

Current Year Audit Findings

Summary of Audit Results

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	N/A
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	N/A
Noncompliance material to financial:	N/A

2019-001 (2017-001) State Unemployment Reports - Compliance and Other Matter Condition

The 6/30/19 State Unemployment quarterly report was not submitted timely. The report due date was 7/30/19 however, the report was submitted on 8/12/19.

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 report was an oversight of the administrative assistant.

Effect

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.

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 of when the reports are due.

Responsible Person and Timeline

The administrative assistant is responsible for this finding and considers it resolved as of 12/11/19.

**2019-002 (2018-002) Certified Chief Procurement Officer-Compliance and Other Matter
Condition**

The District did not have a certified and registered CPO until August 30, 2018.

Management has made progress on this finding.

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

Not having a CPO was an oversight of the board member who is the CPO.

Effect

The purpose of the training was to improve the procurement process through gained knowledge. Issuing purchase orders by someone other than the CPO could result in a purchase that violated the procurement process.

Recommendation

The CPO should ensure recertification is done before current certificate expires.

Response

The board 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. The board considers this resolved as of August 30, 2018.

2019-003 Payday-Compliance and Other Matters

Condition

The District is paying their non-exempt employee once a month.

Criteria

New Mexico Stat. 50-4-2 An employer must designate regular pay days no more than sixteen (16) days apart. An employer must pay employees for wages earned during the 1st to 15th day of the month by the 25th of the month, and for wages earned during the 16th to last day of the month by the 10th day of the following month. An employer may pay professional, administrative or executive employees, or outside salesman one time per month.

Cause

The district was unaware of the proper way of paying employees twice a month.

Effect

Paying employees late is equivalent of nonpayment for the purpose of FLSA. The District could be subject to civil money penalties it can impose for certain violations of the federal Fair Labor Standards Act. In accordance with the enactment of the Civil Penalties Inflation Adjustment Act Improvements Act of 2015, agencies now adjust penalties annually. The FLSA's Section 16(e)(2) authorizes USDOL to impose a monetary penalty for a "repeated" or "willful" violation of that law's minimum-wage or overtime requirements. That penalty is up to \$1,964 per violation.

Recommendation

The District should pay non-exempt employees at least semi-monthly.

Response

The board will implement direct deposit so that the employee will be paid twice a month on the 1st and 16th.

Responsible Person and Timeline

The board is responsible for this finding and considers it resolved as of 12/11/19.

**2019-004 Department of Finance (DFA) Quarterly Financial Reports-Compliance and Other Matters
Condition**

The 4th Quarter DFA report submitted by the District does not agree to the books, math is not correct, and had adjustments that could not be explained.

Criteria

Section 6-6-2 NMSA, 1978 requires that each local public body submit periodic financial reports, at least quarterly, to the Department of Finance and Administration - Local Government Division.

Cause

The cells in the spreadsheet was incorrect causing incorrect math.

Effect

The District was not in full compliance with Section 6-6-2 NMSA, 1978.

Recommendation

Quarterly reports should be accurately completed . The District should ensure that the correct balances are reported to DFA.

Response

The quarterly report will be revised and corrected.

Responsible Person and Timeline

The administrative assistant is responsible for this finding and considers it resolved as of 12/11/19.

2019-005 Late IPA Recommendation and Audit Contract - Compliance and Other Matter

Condition

The IPA recommendation and audit contract was not received by the Office of the State Auditor until May 28, 2019.

Criteria

Paragraph (6) or Subsection G of 2.2.2.8 NMAC requires the contract be received by the Office of the State Auditor by May 15, 2019.

Cause

The office was being remodeled and this was overlooked.

Effect

Paragraph (6) or Subsection G of 2.2.2.8 NMAC was violated.

Recommendation

The District should contract with an approved auditor timely.

Response

The due date will be added to a calendar to remind us of the deadline.

Responsible Person and Timeline

The administrative assistant is responsible for this finding and considers it resolved as of 12/11/19.

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 December 11, 2019. Those present were Mary Campbell-Secretary/Treasurer of the Board, Stacie Martinez-Administrative Assistant, Starla Sharp-Auditor, and De'Aun Willoughby, CPA.