

**THE VILLAGE AT RIO RANCHO  
TAX INCREMENT DEVELOPMENT DISTRICT  
Rio Rancho, New Mexico**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
June 30, 2011**

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**THE VILLAGE AT RIO RANCHO  
TAX INCREMENT DEVELOPMENT DISTRICT  
OFFICIAL ROSTER  
June 30, 2011**

James Jimenez, Chair

Olivia Padilla-Jackson, Secretary-Treasurer

John Castillo, Member

Robert Geringer, Member

Richard May, Member

## Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Directors of  
The Village at Rio Rancho Tax Increment Development District  
Rio Rancho, New Mexico and  
Mr. Hector Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

We have performed the procedures enumerated below, which were agreed to by The Village at Rio Rancho Tax Increment Development District (District) and New Mexico State Auditor (State Auditor), solely to assist the users in evaluating the District's financial reporting to the State Auditor relating to its Cash, Capital Assets, Revenue, Expenditures, Journal Entries, and Budget information and its compliance with Section 12-6-3B(4) NMSA 1978 and Section 2.2.2.16 NMAC as of and for the year ended June 30, 2011. The District is responsible for its financial reporting to the State Auditor as described above. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

In accordance with Tier 4 of the Audit Act – Section 12-6-3 B(4) and Section 2.2.2.16 NMAC, we performed the following procedures:

### 1. Cash

- a. Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand. For purposes of performing our procedures, "timely" means completion of the bank reconciliations within one month after the last day of the reporting month and "complete" means that statements for bank and investment accounts are all accounted for by the District.
- b. Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to the New Mexico Department of Finance and Administration Local Government Division (DFA-LGD).
- c. Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

### Results of Procedures 1(a) – 1(c)

We obtained a list from management of all bank accounts and the corresponding statements for fiscal year ending June 30, 2011, as described below:

<b>Account No.</b>	<b>Description</b>	<b>Balance</b>
6045152243	Choice IV-Public Funds {NIB}	\$ 88,111

During our review of the bank reconciliations, which are prepared by the District's Treasurer, we noted that a review process has not been established over reconciliations. This has been noted as finding 2011-01 on page 7 of this report. No other instances of noncompliance were noted in performing the procedures described in steps 1(a) – 1(c).

The bank balance at year-end did not exceed the coverage provided by the FDIC, so there were no uninsured deposits at the end of the year requiring collateral.

### 2. Capital Assets

- a. Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

### Results of Procedure 2

The District does not have any capital assets at this time and, accordingly, Section 12-6-10 NMSA 1978 is not applicable.

### 3. Revenues

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

- a. Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

Select a sample of revenues based on auditor judgment and test using the following attributes:

- b. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- c. Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

### Results of Procedures 3(a) – 3(c)

The revenue received by the District is based on 70% of certain gross receipts tax increment revenue for the financing of public infrastructure for the District. The District receives monthly gross receipts tax allocations from the New Mexico Taxation and Revenue Department.

### Results of Procedure 3(a)

We reviewed correspondence between the District's Treasurer and the District's Budget and Finance Analyst at the New Mexico Department of Finance and Administration (DFA) which stated that because there were no anticipated revenues or expenditures on July 31, 2010, which is the date the final budget was due to DFA-LGD, the District did not need to submit a budget for fiscal year ending June 30, 2011. Due to this fact, we are unable to compare actual revenue to budgeted revenue. As identified above, the District only had one source of revenue for the fiscal year, which consisted of gross receipts taxes. The total gross receipts tax revenue for the fiscal year was approximately \$88,000.

### Results of Procedures 3(b) and 3(c)

We systematically selected the following items and obtained 50% coverage of total revenues, as follows:

	<b>Total Distribution (RP500 Report)</b>	<b>TRD Admin Fee</b>	<b>Check Amount</b>
9/14/2010	\$ 631.74	\$ (6.91)	\$ 625
11/15/2010	8,006.90	(87.58)	7,919
1/14/2011	8,201.26	(89.70)	8,112
3/15/2011	12,984.83	(151.77)	12,833
5/13/2011	1,088.58	(12.72)	<u>1,076</u>
Total			<u>\$ 30,565</u>

No instances of noncompliance were noted as a result of performing the procedures described in 3(a) – 3(c).

## 4. Expenditures

Select a sample of cash disbursements based on auditor judgment and test using the following attributes:

- Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.
- Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Note: The sample must be representative of the population.

### **Results of Procedures 4(a) – 4(c)**

Based on our review of the bank statements for the year, the only expenditure was a monthly bank fee. The total bank fees for the fiscal year were \$118.

No instances of noncompliance were noted as a result of performing the procedures described in steps 4(a) through 4(c).

### **5. Journal Entries**

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- a. Journal entries appear reasonable and have supporting documentation.
- b. The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

### **Results of Procedures 5(a) and 5(b)**

The District had minimal activity during the fiscal year, which consisted of revenue transactions for their gross receipts tax distribution. As identified in finding 2011-01 on page 7 of this report, these reconciliations did not follow an adequate review process, so the respective journal entries were not reviewed.

### **6. Budget**

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- a. Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.
- b. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.
- c. From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures – budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

### **Results of Procedures 6(a) – 6(c)**

We reviewed correspondence between the District's Treasurer and the District's Budget and Finance Analyst at DFA, which stated that because there were no anticipated revenues or expenditures on July 31, 2010, which is the date the final budget was due to DFA-LGD, the District did not need to submit a budget for fiscal year ended June 30, 2011. Therefore, we are unable to perform the procedures above and there is no schedule of revenues and expenditures-budget and actual included in this report.

## **Other**

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(I)(3)(C) NMAC.

### **Results of Procedure – Other**

A Schedule of Findings and Responses is included on page 7 of this report.

We were not engaged to, and did not, conduct an examination, the object of which would be the expression of an opinion on the District's financial reporting to the State Auditor as described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the District and Office of the State Auditor and is not intended to be and should not be used by anyone other than those specified parties.

*Clifton Henderson LLP*

Albuquerque, New Mexico  
August 26, 2011



## SCHEDULE OF FINDINGS AND RESPONSES

### 2011-01 - Bank Reconciliation Procedures

**Condition:** During our testwork over the cash balances and bank reconciliations for the District, we noted there is not a review process in place over the monthly banking activity.

**Criteria:** State Auditor Rule 2.2.2.8.J and Section 12-6-5 NMSA 1978 requires good accounting practices to be followed and adequate accounting records to be maintained. This includes a review process of all monthly bank reconciliations by someone other than the preparer of the reconciliations.

**Cause:** Because there were no expenditures made by the District for the fiscal year and the activity was minimal, there are no formal procedures over this process.

**Effect:** There is an increased risk of misstatement of the financial activity without an appropriate level of review of transactions processed by any one individual.

**Recommend:** We recommend the District implement policies and procedures to ensure bank reconciliations are reviewed by someone other than the preparer each month, no matter how minimal the activity.

**Management's Response:** The District has implemented these procedures.

## **EXIT CONFERENCE**

An exit conference was held on November 16, 2011. In attendance were:

### **THE VILLAGE AT RIO RANCHO TAX INCREMENT DEVELOPMENT DISTRICT**

James Jimenez, Chair  
Olivia Padilla-Jackson, Secretary-Treasurer  
John Castillo, Member

### **CLIFTON GUNDERSON LLP**

Georgie Ortiz, CPA, CGFM, Partner  
Laura Beltran-Schmitz, CPA, CFE, CGFM, Manager