

STATE OF NEW MEXICO

SANTA CRUZ IRRIGATION DISTRICT

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED UPON PROCEDURES REPORT

YEAR ENDED JUNE 30, 2018

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STATE OF NEW MEXICO
SANTA CRUZ IRRIGATION DISTRICT
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STATE OF NEW MEXICO
SANTA CRUZ IRRIGATION DISTRICT

Official Roster

June 30, 2018

Name

Title

Board of Directors

Kenneth Salazar

Chairman

Ron Gallegos

Vice Chairman

Dominic Martinez

Secretary/Treasurer

Staff

Karen Martinez

Office Manager

Loretta Lopez

Bookkeeper

Richard Chang

Dam Tender

JOSEPH M. SALAZAR
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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED UPON PROCEDURES

Kenneth Salazar, Chairman
Santa Cruz Irrigation District
and
Honorable Wayne Johnson
New Mexico State Auditor

We have performed the procedures enumerated below for the Santa Cruz Irrigation District (District) for the year ended June 30, 2018. The District was determined to be a Tier 4 entity under the Audit Act Section 12-6-3 (B) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the District through the Office of the New Mexico State Auditor. The Santa Cruz Irrigation District management is responsible for the organization's accounting records. 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 representations regarding the sufficiency of the procedures described below either for the purposes for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

Procedures

1. Verify the local public body's revenue calculation and tier determination documentation on the form provided at www.osa.org under "Tiered System Reporting Main Page"

Finding

We verified the District's revenue calculation and tier determination. No exceptions noted.

2. **Cash**

Procedures

- 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.

- b) Test at least 30% of the bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reporting submitted to DFA-Local Government Division.
- c) Determine whether the local public body's financial institution have provided it with 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Findings

- a) The District had a general checking account, two savings accounts and a money market checking account in two different financial institutions. Bank statements and bank reconciliations were available for all four accounts for the entire fiscal year. Determined that bank reconciliations are being performed in a timely manner.
- b) We performed a random test of bank reconciliations for accuracy for the months of September 2017, December 2017, March 2018 and June 2018 and trace the cash balances to the financial records and financial reports submitted to DFA-Local Government Division. No exceptions noted.
- c) The bank accounts had FDIC coverage of \$250,000. The bank accounts never exceeded the uninsured limits and, therefore, pledged collateral was not required on the bank account at any time during the year.

3. Capital Assets

Procedures

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

Findings

The District performed a yearly inventory as required by state statute. No exceptions noted.

4. Revenues

Procedures

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 equal to at least 30% of the total dollar amount and test the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statements.
- c) Proper recording of classification, amounts, 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.

Findings:

- a) An analytical review of prior year to current year revenue revealed no unexplained or unusual variations. The test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions.
- b) Traced 35 deposits (approximately 68% of the total revenues) on the district's financial records and agreed to the supporting documentation (deposit slips and bank statements). No exceptions noted.
- c) Amounts were properly recorded on a cash basis as to classification, amount and period on the District's general ledger. No exceptions noted.

5. Expenditures

Procedures

Select a sample of cash disbursements equal to at least 30% of the total dollar and test the following attributes:

- a) 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.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

- c) Determine that the bid process (or request for proposal process if applicable, purchase order, 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).

Findings

- a) Our test of 40 transactions for approximately 41% of the total expenditure amount for the fiscal year revealed that amounts recorded as disbursed agreed to the supporting documentation. The documentation agrees as to amount, payee, date and description agree to the vendor's invoice.
- b) District disbursements were authorized disbursements for the operations of the District and approved in compliance with budget, legal requirements and established policies and procedures.
- c) District maintained documentation for all its purchases to demonstrate compliance with the bid process (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 13-1-99 NMSA 1978) and State purchase regulations.

6. Journal Entries

Procedures

If non-routine journal entries, such as adjustment or reclassification, are posted to the general ledger, test significant items for the following attribute:

- 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.

Findings

- a) The District utilized journal entries to record monthly interest income on the savings accounts and journal entries to correct posting of capital assets instead of an expense. The journal entries appeared to be reasonable and having supporting adequate supporting documentation.
- b) The District has procedures that require journal entries to be reviewed and there is evidence.

Budget

Procedures

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 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, actual or modified accrual basis) for each individual fund.

Findings

- a) The District prepared and passed a resolution approving the budget for the fiscal year and a budget adjustment for approval to DFA-LGD for the year ended June 30, 2018. The DFA-LGD approved the budget and budget adjustment. No exceptions noted.
- b) Determined that total actual expenditures did not exceed the final budget at the legal level of budgetary control for all four funds of the District. No exceptions noted.
- c) A schedule of revenues and expenditures was prepared from the District's records on a cash budgetary basis. This schedule is included herein as Exhibit A. The District submitted quarterly report to DFA-LGD for the fiscal year.

Other

Procedures

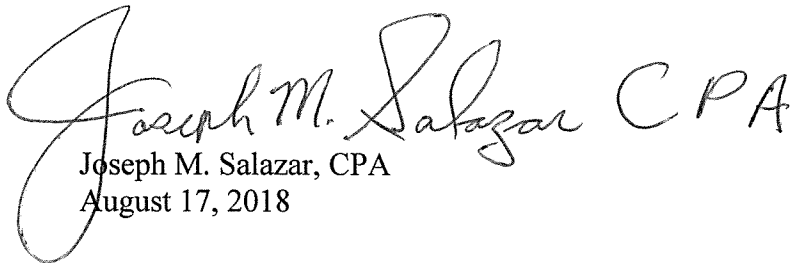
If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The finding must include the required contents per Section 2.2.2.1-(1) (3) (C) NMAC.

Findings

No exceptions or information were noted as a result of applying the procedures described above (regardless of materiality) indicating fraud or illegal acts.

We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion in accordance with AT-C 215.35. 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 Santa Cruz Irrigation District, the New Mexico State Auditor's Office, New Mexico Legislature and the DFA-Local Government Division and is not intended to be and should not be used by anyone other than those specified parties.


Joseph M. Salazar, CPA
August 17, 2018

STATE OF NEW MEXICO **Exhibit A**
SANTA CRUZ IRRIGATION DISTRICT
SCHEDULE REVENUE AND EXPENDITURES- BUDGET AND ACTUAL (CASH BASIS)
FOR YEAR ENDED June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Water assessment	\$ 75,000	\$ 75,000	\$ 70,481	\$ (4,519)
Late fees	2,000	2,000	3,125	1,125
Interest from tax	1,000	1,000	4,307	3,307
Change of ownership	1,000	1,000	1,046	46
Other income	-	-	20,099	20,099
BLM	5,000	5,000	8	(4,992)
Total revenues	<u>84,000</u>	<u>84,000</u>	<u>99,066</u>	<u>15,066</u>
Cash balance budgeted	4,710	28,710		-
Total revenues and cash balance budgeted	<u>\$ 88,710</u>	<u>\$ 112,710</u>	<u>\$ 99,066</u>	<u>\$ 15,066</u>
EXPENDITURES				
Salaries	\$ 56,000	\$ 56,000	\$ 53,434	\$ 2,566
Advertising	-	-	155	(155)
Casual labor	1,000	1,000	-	1,000
Alarm service	-	-	792	(792)
Bank service charge	-	-	101	(101)
Election expense	250	250	-	250
Contract services	1,000	1,000	432	568
Water rights	1,000	1,000	-	1,000
Payroll taxes	4,400	4,400	79	4,321
Audit services	3,900	3,900	3,941	(41)
Accounting services	3,260	3,260	1,900	1,360
Legal services	1,000	1,000	-	1,000
Professional services	-	3,000	-	3,000
Director's fees	-	-	914	(914)
Ditch dues	-	-	105	(105)
Dues	-	-	265	(265)
Insurance-general	5,200	5,200	4,610	590
Miscellaneous	-	-	93	(93)
Mileage	-	-	1,682	(1,682)
Office supplies	2,000	2,000	2,459	(459)
Other expenses	-	-	247	(247)
Postage	2,000	2,000	2,859	(859)
Repairs-building	-	1,000	-	1,000
Repairs- office equipment	1,000	1,000	188	812
Dam expense	-	20,000	16,520	3,480
Taxes	-	-	910	(910)
Telephone	1,700	1,700	1,970	(270)
Travel	1,500	1,500	397	1,103
Utilities	3,500	3,500	4,551	(1,051)
Total expenditures	<u>88,710</u>	<u>112,710</u>	<u>98,604</u>	<u>14,106</u>
Revenue over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 462</u>	<u>\$ 29,172</u>

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Santa Cruz Irrigation District
Balance Sheet
As of June 30, 2018

	Jun 30, 18
ASSETS	
Current Assets	
Checking/Savings	5,555.29
Century Bank - Grant Monies	47,089.64
Century Bank Savings	13,608.05
Checking- Century Bank	192,804.08
New Mexico Bank and Trust	100.00
Petty Cash	259,157.06
Total Checking/Savings	259,157.06
Accounts Receivable	-6,368.28
Accounts Receivable	-6,368.28
Total Accounts Receivable	-6,368.28
Other Current Assets	-19.29
A/R Reimbursements	84.79
Account Receivables	221.84
Undeposited Funds	287.34
Total Other Current Assets	287.34
Total Current Assets	253,076.12
Fixed Assets	
Land	10,000.00
Office Building & Lot	79,125.00
Office Furniture/Equipment	3,209.09
Reservoir Dam	9,126,106.94
Water Rights	8,225.00
Total Fixed Assets	9,226,666.03
TOTAL ASSETS	9,479,742.15
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	-131.25
Accounts Payable	-131.25
Total Accounts Payable	-131.25
Other Current Liabilities	-0.02
FICA Tax Payable	-0.02
FIT Federal Tax Withholding	0.02
FUTA Tax Payable	1,509.43
Payroll Liabilities	1,509.41
Total Other Current Liabilities	1,509.41
Total Current Liabilities	1,378.16
Total Liabilities	1,378.16
Equity	
Opening Bal Equity	11,800,658.96
Retained Earnings	-2,322,756.35
Net Income	461.38
Total Equity	9,478,363.99
TOTAL LIABILITIES & EQUITY	9,479,742.15

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 Cash Basis

**Santa Cruz Irrigation District
 Profit & Loss
 July 2017 through June 2018**

	<u>Jul '17 - Jun 18</u>
Ordinary Income/Expense	
Income	1,045.67
Change of Ownership	4,306.96
Interest Income	3,125.30
Late Fees	70,480.92
Water Assessments	<u>78,958.85</u>
Total Income	<u>78,958.85</u>
Gross Profit	
Expense	0.00
109	154.79
Advertising	791.65
Alarm Service	101.30
Bank Service Charges	432.50
Contract Labor	16,520.45
Dam Expense	105.00
Ditch Dues	264.50
Dues	
Insurance Property	640.00
Surety bond	3,171.83
Insurance Property - Other	<u>3,811.83</u>
Total Insurance Property	798.27
Liability Insurance	1,881.51
mileage	2,459.45
Office Supplies	247.28
Other expenses	53,433.77
Payroll Expenses	79.00
Payroll Taxes	2,859.51
Postage	
Professional Services	1,899.80
Accounting	3,941.00
Auditing Professional Services	914.26
directors fees	<u>6,755.06</u>
Total Professional Services	20.58
Reimbursement	72.00
rental	187.88
Repairs & Maintenance	
Taxes	910.00
Telephone	1,969.68
Travel	396.97
Utilities	4,550.79
Total Expense	<u>98,603.75</u>
Net Ordinary Income	-19,644.90
Other Income/Expense	
Other Income	
Other Income	7.67
BLM	20,098.61
Other Income - Other	<u>20,106.28</u>
Total Other Income	20,106.28
Total Other Income	<u>20,106.28</u>
Net Other Income	<u>20,106.28</u>
Net Income	<u><u>461.38</u></u>

Santa Cruz Irrigation District Profit & Loss Budget vs. Actual July 2017 through June 2018

	Jul '17 - Jun 18	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
468	-653.30	1,000.00	45.67	104.6%
Change of Ownership	1,045.67	1,000.00	3,306.96	430.7%
Interest Income	4,306.96	2,000.00	1,125.30	156.3%
Late Fees	3,125.30	75,000.00	-3,865.78	94.8%
Water Assessments	71,134.22			
Total Income	78,958.85	79,000.00	-41.15	99.9%
Gross Profit	78,958.85	79,000.00	-41.15	99.9%
Expense				
109	0.00			
Advertising	154.79			
Alarm Service	791.65			
Bank Service Charges	101.30	1,000.00	-1,000.00	0.0%
Casual Labor	0.00	1,000.00	-567.50	43.3%
Contract Labor	432.50	20,000.00	-3,479.55	82.6%
Dam Expense	16,520.45			
Ditch Dues	105.00			
Dues	264.50	250.00	-250.00	0.0%
Election	0.00			
Insurance Property	640.00			
Surety bond	3,171.83	5,200.00	-2,028.17	61.0%
Insurance Property - Other				
	3,811.83	5,200.00	-1,388.17	73.3%
Total Insurance Property	0.00	1,000.00	-1,000.00	0.0%
Legal Services	798.27			
Liability Insurance	1,681.51			
mileage	2,459.45	2,000.00	459.45	123.0%
Office Supplies	247.26	0.00	247.26	100.0%
Other expenses	53,433.77	56,000.00	-2,566.23	95.4%
Payroll Expenses	79.00	4,400.00	-4,321.00	1.8%
Payroll Taxes	2,859.51	2,000.00	859.51	143.0%
Postage				
Professional Services	1,899.80	3,260.00	-1,360.20	58.3%
Accounting	3,941.00	3,900.00	41.00	101.1%
Auditing Professional Services	914.26			
directors fees	0.00	3,000.00	-3,000.00	0.0%
Professional Services - Other				
Total Professional Services	6,755.06	10,160.00	-3,404.94	66.5%
Reimbursement	20.58			
rental	72.00			

Santa Cruz Irrigation District
Profit & Loss Budget vs. Actual
 July 2017 through June 2018

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 Cash Basis

	Jul '17 - Jun 18	Budget	\$ Over Budget	% of Budget
Repairs & Maintenance				
Building Repairs	0.00	1,000.00	-1,000.00	0.0%
Equipment Repairs	0.00	1,000.00	-1,000.00	0.0%
Repairs & Maintenance - Other	187.88			
Total Repairs & Maintenance	187.88	2,000.00	-1,812.12	9.4%
Taxes	910.00			
Telephone	1,969.68	1,700.00	269.68	115.9%
Travel	396.97	1,500.00	-1,103.03	26.5%
Utilities	4,550.79	3,500.00	1,050.79	130.0%
Total Expense	98,603.75	111,710.00	-13,106.25	88.3%
Net Ordinary Income	-19,644.90	-32,710.00	13,065.10	60.1%
Other Income/Expense				
Other Income				
BLM	7.67	5,000.00	-4,992.33	0.2%
Other Income - Other	20,098.61			
Total Other Income	20,106.28	5,000.00	15,106.28	402.1%
Total Other Income	20,106.28	5,000.00	15,106.28	402.1%
Total Other Income	20,106.28	5,000.00	15,106.28	402.1%
Net Other Income	461.38	-27,710.00	28,171.38	-1.7%
Net Income				

STATE OF NEW MEXICO
SANTA CRUZ IRRIGATION DISTRICT
Status of Current and Prior Year Findings
YEAR ENDED JUNE 30, 2018

No current or prior year findings

STATE OF NEW MEXICO
SANTA CRUZ IRRIGATION DISTRICT

Exit Conference

YEAR ENDED JUNE 30, 2018

Exit Conference

The report contents were discussed at an exit conference held August 17, 2018 with the following in attendance:

Santa Cruz Irrigation District

Kenneth Salazar, Board Chairman

Karen Martinez, Office Manager

Loretta Lopez, Bookkeeper

Accounting Firm

Joseph M. Salazar, CPA