



CPA

ROBERT L. MANTZ, CPA, P.C.

P.O. Box 634
Raton, New Mexico 87740-0634
(575) 445-3619 (575) 445-3610 Fax

Member: AICPA
American Institute of CPA'S
Colorado Society of CPA'S
New Mexico Society of CPA'S

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
AUDITED FINANCIAL STATEMENTS AND
OTHER FINANCIAL INFORMATION
JUNE 30, 2011 and 2010**

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
TABLE OF CONTENTS
JUNE 30, 2011 and 2010**

	Page
INTRODUCTORY SECTION:	
TABLE OF CONTENTS	i
Official Roster	ii
 FINANCIAL SECTION:	
Independent Auditor's Report	1
Management's Discussion and Analysis (Required Supplementary Information)	2-6
 BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements	
Comparative Statement of Net Assets	7
Comparative Statement of Activities	8
 Fund Financial Statements	
Comparative Balance Sheet-Governmental Funds	9
Comparative Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Funds	10
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	11
Comparative Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities- Governmental Funds	12
Comparative Budgetary Comparison Statement (Non-GAAP Basis) – General Fund	13-14
Comparative Budgetary Comparison Statement – Budget-to-GAAP Reconciliation – General Fund	15
Notes to the Basic Financial Statements	16-27
 OTHER REPORTS:	
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>	28-29
 SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES:	 30-31
 EXIT CONFERENCE:	 32

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
OFFICIAL ROSTER
JUNE 30, 2011**

BOARD OF TRUSTEES

Charles Hoy	President
Mary Lou Kern	Vice President
Bill Goebel	Secretary - Treasurer
Roger Lee Kuchan	Member
Raymond Nystul	Member

ADMINISTRATIVE STAFF

Joe R. Hronich	General Manager
Telena Shubert	Secretary/Bookkeeper

FINANCIAL SECTION

The logo consists of the letters 'CPA' in a bold, sans-serif font, enclosed within a circular border. This circle is part of a larger graphic element on the left side of the page, which includes several vertical lines of varying thicknesses and a horizontal line that intersects the circle.

ROBERT L. MANTZ, CPA, P.C.

P.O. Box 634
Raton, New Mexico 87740-0634
(575) 445-3619 (575) 445-3610 Fax

Member: AICPA
American Institute of CPA'S
Colorado Society of CPA'S
New Mexico Society of CPA'S

Independent Auditor's Report

Members of the Board of Directors
Vermejo Conservancy District and

Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying comparative financial statements of the governmental activities, the general fund, and the budgetary comparisons for the general fund of the Vermejo Conservancy District (the District), State of New Mexico, as of and for the years ended June 30, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. 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 with 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Vermejo Conservancy District, State of New Mexico as of June 30, 2011 and 2010 and the respective changes in financial position, thereof, and the budgetary comparisons for the general fund, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 29, 2011, on our consideration of the District's internal control over financial reporting and 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 on an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Robert L. Mantz, CPA, P.C.

A handwritten signature in black ink that reads 'Robert L. Mantz, CPA, P.C.' in a cursive, slightly slanted script.

Raton, New Mexico
November 29, 2011

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

As management of the New Mexico Vermejo Conservancy District, we offer readers of the Vermejo Conservancy District's financial statements this narrative overview and analysis of the financial activities of the Vermejo Conservancy District for the fiscal year ended June 30, 2011. All amounts, unless otherwise indicated, are expressed in dollars.

FINANCIAL HIGHLIGHTS

The District's total net assets increased by \$37,876 in 2011 as compared to a \$2,459 increase in the prior year.

As of the close of the current fiscal year, the District's governmental fund reported an ending fund balance of \$218,678 which was an increase of \$55,689 in comparison with the prior year.

The substantial majority of the District's long-term liabilities is comprised of a note due to the Bureau of Reclamation. Payments on this debt have been deferred until the Secretary of the Bureau of Reclamation determines that additional repayment is feasible.

The balance of the long-term liabilities is made up of one note due to the New Mexico Interstate Stream Commission. See the notes to the financial statements for additional data.

USING THIS ANNUAL REPORT

Management's Discussion and Analysis

This section includes information on the use of the annual report, and management's analysis of the financial position and results of operations for the District.

Government-Wide Financial Statements

The Government-Wide Financial Statements report information about the District as a whole using accounting methods similar to those used by private sector businesses. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The financial statements report the District's net assets and how they have changed.

Fund Financial Statements.

The Fund Financial Statements provide a more detailed look at the District's significant funds. The funds present sources and uses of liquid resources. This is the manner in which the financial plan (the budget) is typically developed. Funds are established for various purposes and the financial statement allows the demonstration of sources and uses and/or budgeting compliance associated, therewith.

Budgetary Comparisons

GASB 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules should present both the original and the final appropriated budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the government's budgetary basis. As required by the Office of the State Auditor under 2NMAC2.2, the budgetary comparison statement is presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 26 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of New Assets: Below is a summary of the District's net assets for the fiscal years ending June 30, 2011 and 2010. There have not been any significant changes to assets, liabilities and net assets as compared to the prior year. See page 7 for a more detailed look at the Statement of Net Assets.

VERMEJO CONSERVANCY DISTRICT

	Net Assets	
	Governmental Activities	
	2011	2010
Current Assets	225,618	180,973
Capital Assets (Net)	2,808,139	2,832,814
Total Assets	3,033,757	3,013,787
Long-term Liabilities Outstanding	2,052,442	2,059,475
Other Liabilities	13,973	24,846
Total Liabilities	2,066,415	2,084,321
Net Assets:		
Invested in Capital Assets	748,664	766,477
Restricted	-	-
Unrestricted	218,678	162,989
Total Net Assets	967,342	929,466

Statement of Activities: The following represents the revenues and expenses for fiscal years 2011 and 2010. See page 8 for a more detailed look at the Statement of Activities.

VERMEJO CONSERVANCY DISTRICT

	Changes in Net Assets	
	Governmental Activities	
	2011	2010
Revenues:		
Program Revenues	44,429	24,564
General Revenues	166,498	154,875
Total Revenues	210,927	179,439
Expenses:		
District Operations	173,051	176,980
Change in Net Assets	37,876	2,459
Net Assets – Beginning	929,466	927,007
Net Assets - Ending	967,342	929,466

FUND FINANCIAL ANALYSIS

Governmental Funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. As of year-end, the governmental fund (the General Fund) reported a fund balance of \$218,678.

The District's only fund is the General Fund. This fund realized an increase in its fund balance from the prior year by about \$55,689. The General fund revenues increased by about \$33,462, because of increases in the 2011 assessments and water charges. Expenditures decreased significantly from the prior year because of reduction in debt service expenditures and because of no purchases of equipment in 2011. The 2011 payroll costs decreased about \$7,750 because of a reduction of overtime. Payroll taxes decreased about \$695 because of the reduction of payroll.

GENERAL FUND BUDGETARY HIGHLIGHTS

In total, there was no major difference between the original budget and the final amended budget. During the year, however, actual revenues were less than budgetary estimates and actual expenditures were less than budgetary estimates.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The District's investment in capital assets for its governmental activities as of June 30, 2011, amounted to \$2,808,139 (net of accumulated depreciation). This investment in capital assets consists of equipment, lakes, ditches and improvements.

Additional information on the District's capital assets can be found in Note 4B on page 24 of this report.

Long-Term Debt: At the end of the current fiscal year, the District had total long-term debt outstanding of \$2,059,475, including the current portion due within the next twelve months of \$7,033.

The District's total long-term debt decreased by \$6,862, which was the direct result of payments on a note principal during the year.

Additional information on the District's long-term debt can be found in Note 4C on pages 25 and 26 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The District has decreased its assessments from a \$5.02 mill levy in 2011 to a \$4.04 mill levy in 2012. The anticipated budget expenditures decreased from \$210,800 in 2011 to \$195,390 in 2012.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Vermejo Conservancy District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Vermejo Conservancy, PO Box 292, Maxwell, New Mexico 87728.

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
COMPARATIVE STATEMENT OF NET ASSETS
June 30, 2011 and 2010**

	<u>2,011</u>	<u>2,010</u>
ASSETS		
Current Assets:		
Cash	179,860	146,954
Class "A" Assessments Receivable	34,593	24,683
Class "B" Assessments Receivable	340	839
Accrued Interest Receivable	72	26
Due from Other Governments	1,223	1,957
Undeposited Funds Receivable	1,774	368
Prepaid Expenses	7,756	6,146
Total Current Assets	<u>225,618</u>	<u>180,973</u>
Noncurrent Assets		
Capital Assets	3,007,255	3,032,657
Less: Accumulated Depreciation	<u>(199,116)</u>	<u>(199,843)</u>
Net Capital Assets	<u>2,808,139</u>	<u>2,832,814</u>
Total Assets	<u><u>3,033,757</u></u>	<u><u>3,013,787</u></u>
LIABILITIES		
Current Liabilities		
Accounts Payable	2,857	2,355
Unearned Revenues	3,700	15,295
Payroll Taxes Payable	383	334
Employee Benefits Payable	-	-
Note Payable - Current Portion	7,033	6,862
Total Current Liabilities	<u>13,973</u>	<u>24,846</u>
Long-term Liabilities:		
Notes Payable	2,059,475	2,066,337
Less: Current Portion from Above	<u>(7,033)</u>	<u>(6,862)</u>
Total Long-term Liabilities	<u>2,052,442</u>	<u>2,059,475</u>
Total Liabilities	<u><u>2,066,415</u></u>	<u><u>2,084,321</u></u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	748,664	766,477
Unrestricted	218,678	162,989
Total Net Assets	<u>967,342</u>	<u>929,466</u>
Total Liabilities and Net Assets	<u><u>3,033,757</u></u>	<u><u>3,013,787</u></u>

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

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
COMPARATIVE STATEMENT OF ACTIVITIES
For The Years Ended June 30, 2011 and 2010**

	2,011	2,010
Expenses		
District Operations		
Salaries	72,268	80,018
Payroll Taxes	5,581	6,276
Advertising	68	-
Auditing Fees	3,940	3,881
Bank Charges	-	79
Capital Outlay	-	4,000
Contract Labor	6,111	487
County Treasurer's Fees	184	238
Depreciation Expense	22,700	23,847
Dues and Subscriptions	102	85
Employee Benefits	-	-
Equipment Rental	-	-
Equipment Repairs and Supplies	14,640	8,286
Gas and Oil	18,736	11,408
Insurance	15,381	14,189
Interest Expense	1,708	2,079
Irrigation Expense	-	1,978
Legal Fees	2,289	9,908
Miscellaneous Expense	1,720	1,674
Office Printing	4	12
Office Postage	275	348
Office Supplies	1,299	563
Telephone	929	1,120
Travel	2,081	3,185
Utilities	3,035	3,319
Total District Operations	173,051	176,980
Program Revenues		
Charges for Service		
Water Charges	44,324	24,349
Canal Assessments	105	215
Total Program Revenues	44,429	24,564
Changes in Net Assets		
Net (Expense) Revenue	(128,622)	(152,416)
General Revenues		
Class "A" Assessments	114,814	112,062
Class "B" Assessments	18,467	21,690
Unrestricted Grants	-	-
Lease and Rental Income	18,431	16,131
Equipment Rental	240	338
Sale of Assets	10,190	-
Unrestricted Interest Income	3,636	2,543
Miscellaneous Income	720	2,111
Total General Revenues	166,498	154,875
Change in Net Assets	37,876	2,459
Net Assets - Beginning of Year	929,466	927,007
Net Assets - End of Year	967,342	929,466

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

FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
COMPARATIVE BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011 and 2010**

ASSETS	<u>2,011</u>	<u>2,010</u>
Cash	179,860	146,954
Class "A" Assessments Receivable	34,593	24,683
Class "B" Assessments Receivable	340	839
Accrued Interest Receivable	72	26
Due from Other Governments	1,223	1,957
Undeposited Funds Receivable	1,774	368
Prepaid Expenses	<u>7,756</u>	<u>6,146</u>
Total Assets	<u><u>225,618</u></u>	<u><u>180,973</u></u>
LIABILITIES		
Accounts Payable	2,857	2,355
Unearned Revenues	3,700	15,295
Payroll Taxes Payable	<u>383</u>	<u>334</u>
Total Liabilities	<u>6,940</u>	<u>17,984</u>
FUND BALANCE		
Unreserved		
Undesignated	<u>218,678</u>	<u>162,989</u>
Total Fund Balance	<u>218,678</u>	<u>162,989</u>
Total Liabilities and Fund Balance	<u><u>225,618</u></u>	<u><u>180,973</u></u>

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

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
COMPARATIVE RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF
NET ASSETS
GOVERNMENTAL FUNDS
June 30, 2011 and 2010**

	2011	2010
Total Fund Balances for the Governmental Funds	218,678	162,989
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land, land improvements, buildings and equipment	3,007,255	3,032,657
Accumulated depreciation	(199,116)	(199,843)
Total capital assets	<u>2,808,139</u>	<u>2,832,814</u>
Some liabilities are not due and payable in the current Period and therefore are not reported in the funds. Those liabilities consist of:		
Notes payable	<u>(2,059,475)</u>	<u>(2,066,337)</u>
Net assets of Governmental Activities	<u>967,342</u>	<u>929,466</u>

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

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Years Ended June 30, 2011 and 2010

REVENUES	<u>2,011</u>	<u>2,010</u>
Class "A" Assessments	114,814	112,062
Class "B" Assessments	18,467	21,690
Water Charges	44,324	24,349
Canal Assessments	105	215
Lease and Rental Income	18,431	16,131
Equipment Rental	240	338
Sale of Assets	12,166	-
Investment Interest Income	868	1,487
Interest on Account	2,768	1,056
Miscellaneous Income	718	2,111
Total Revenues	<u>212,901</u>	<u>179,439</u>
EXPENDITURES		
Current:		
District Operations:		
Salaries	72,268	80,018
Payroll Taxes	5,581	6,276
Advertising	68	-
Auditing Fees	3,940	3,881
Bank Fees	-	79
Contract Labor	6,111	487
County Treasurer's Fees	184	238
Dues and Subscriptions	102	85
Equipment Rental	-	-
Equipment Repairs and Supplies	14,640	8,286
Gas and Oil	18,736	11,408
Insurance	15,381	14,189
Irrigation Expenses	-	1,978
Legal Fees	2,289	9,908
Miscellaneous Expense	1,719	1,673
Office Printing	4	12
Office Postage	275	348
Office Supplies	1,299	563
Telephone	929	1,120
Travel	2,081	3,185
Utilities	3,035	3,319
Capital Outlay	-	4,000
Debt Service		
Principal	6,862	14,851
Interest	1,708	2,079
Total Expenditures	<u>157,212</u>	<u>167,983</u>
Net Changes in Fund Balances	55,689	11,456
FUND BALANCE AT Beginning of Year	<u>162,989</u>	<u>151,533</u>
FUND BALANCE AT End of Year	<u><u>218,678</u></u>	<u><u>162,989</u></u>

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
COMPARATIVE RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2011 and 2010

	2011	2010
Net Change in Fund Balances – Governmental Funds	55,689	11,456
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p style="padding-left: 40px;">Proceeds from the sale of assets are reported for Governmental funds whereas gain or loss on the sale of the assets is reported for governmental activities:</p>		
Basis of equipment sold	(1,976)	-
	53,713	11,456
<p>Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>		
Capital outlay	-	-
Depreciation expense	(22,700)	(23,847)
Excess of capital outlay over depreciation expense	(22,700)	(23,847)
Debt service – principal payments	6,862	14,851
Adjustment for Rounding	1	(1)
Change in Net Assets of Governmental Activities	37,876	2,459

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

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
COMPARATIVE BUDGETARY COMPARISON STATEMENT (Non-GAAP Basis)
GENERAL FUND
For the Years Ended June 30, 2011 and 2010**

	2011			
	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>	Budgetary Basis	Favorable (Unfavorable)
REVENUES				
Class "A" Assessments	115,843	115,843	91,904	(23,939)
Class "B" Assessments	28,961	28,961	18,965	(9,996)
Water Charges	48,268	48,268	44,324	(3,944)
Canal Assessments	128	128	105	(23)
Pasture and Lake Lease	12,600	12,600	15,431	2,831
Rental Income	3,000	3,000	3,000	-
Rental - Equipment	-	-	240	240
Sale of Assets	-	-	12,166	12,166
Investment Interest	1,500	1,500	823	(677)
Interest on Account	-	-	2,768	2,768
Miscellaneous Income	500	500	718	218
Total Revenues and Sources	<u>210,800</u>	<u>210,800</u>	<u>190,444</u>	<u>(20,356)</u>
 Budgeted Cash Balance	 -	 -		
 Total Revenues and Cash	 <u>210,800</u>	 <u>210,800</u>		
EXPENDITURES				
Current:				
District Operations:				
Salaries	93,000	93,000	72,268	20,732
Payroll Taxes	7,000	7,000	5,531	1,469
Advertising	-	-	68	(68)
Auditing Fees	4,000	4,000	3,940	60
Contract Labor	-	-	6,265	(6,265)
County Treasurer's Fees	-	-	184	(184)
Dues & Subscriptions	-	-	102	(102)
Employee Benefits	-	-	-	-
Equipment Repairs and Supplies	12,000	14,700	14,637	63
Gas and Oil	18,000	20,000	16,738	3,262
Insurance	16,000	17,500	16,991	509
Legal Fess	25,000	18,800	3,629	15,171
Miscellaneous Expense	10,500	10,500	1,083	9,417
Office Supplies	1,600	1,600	1,225	375
Office Postage	-	-	275	(275)
Office Printing	-	-	4	(4)
Telephone	1,700	1,700	950	750
Travel	4,000	4,000	2,089	1,911
Utilities	4,000	4,000	2,988	1,012
Capital Outlay	5,000	5,000		5,000
Debt Service:				
Principal	7,292	7,292	6,862	430
Interest	1,708	1,708	1,708	-
Total Expenditures and Uses	<u>210,800</u>	<u>210,800</u>	<u>157,537</u>	<u>53,263</u>

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

STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
COMPARATIVE BUDGETARY COMPARISON STATEMENT (Non-GAAP Basis)
GENERAL FUND
For the Years Ended June 30, 2011 and 2010

	2010		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Budgeted Amounts			
	Original	Final		
REVENUES				
Class "A" Assessments	112,105	112,105	111,974	(131)
Class "B" Assessments	28,026	28,026	21,881	(6,145)
Water Charges	46,711	46,711	24,349	(22,362)
Canal Assessments	128	128	215	87
Pasture and Lake Lease	11,530	11,530	13,131	1,601
Rental Income	3,000	3,000	3,000	-
Rental - Equipment	-	-	338	338
Sale of Assets	-	-	-	-
Investment Interest	3,500	3,500	1,569	(1,931)
Interest on Account	-	-	1,056	1,056
Miscellaneous Income	500	500	2,111	1,611
Total Revenues and Sources	205,500	205,500	179,624	(25,876)
Budgeted Cash Balance	10,000	10,000		
Total Revenues and Cash	215,500	215,500		
EXPENDITURES				
Current:				
District Operations:				
Salaries	89,400	89,400	81,197	8,203
Payroll Taxes	6,600	6,600	6,043	557
Advertising	-	-	-	-
Auditing Fees	3,881	3,881	3,881	-
Contract Labor	-	-	-	-
County Treasurer's Fees	-	-	-	-
Dues & Subscriptions	-	-	-	-
Employee Benefits	-	-	-	-
Equipment Repairs and Supplies	12,500	12,500	10,353	2,147
Gas and Oil	18,000	18,000	15,472	2,528
Insurance	16,000	16,000	14,253	1,747
Legal Fess	21,119	21,119	8,567	12,552
Miscellaneous Expense	9,000	9,000	7,221	1,779
Office Supplies	2,500	2,500	983	1,517
Office Postage	-	-	-	-
Office Printing	-	-	-	-
Telephone	2,000	2,000	1,218	782
Travel	3,500	3,500	3,148	352
Utilities	4,000	4,000	3,298	702
Capital Outlay	10,000	10,000	4,000	6,000
Debt Service:				
Principal	14,900	14,900	14,851	49
Interest	2,100	2,100	2,079	21
Total Expenditures and Uses	215,500	215,500	176,564	38,936

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

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
COMPARATIVE BUDGETARY COMPARISON STATEMENT
BUDGET-TO-GAAP RECONCILIATION
GENERAL FUND
For The Years Ended June 30, 2011 and 2010**

	2011	2010
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement	190,444	179,624
Revenues received during the year ended June 30, 2011 that were measurable and available at June 30, 2010	(25,548)	(21,171)
Revenues to be received during the year ending June 30, 2012 that were measurable and available at June 30, 2011	35,005	25,548
Unearned revenues as of June 30, 2010	15,295	12,469
Unearned revenues as of June 30, 2011	(3,700)	(15,295)
Other Deferred Revenues – Increase (Decrease)	1,406	(1,736)
Adjustment for Rounding	(1)	-
Total revenues and other financing sources as reported in the statement of revenues expenditures and changes in fund balance-governmental	212,901	179,439
 Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	157,537	176,564
Expenditures incurred before June 30, 2010 but paid during the year ended June 30, 2011	(2,689)	(9,376)
Expenditures incurred before June 30, 2011 but paid during the year ended June 30, 2012.	3,240	2,689
Increase in prepaid expense accrual	(1,610)	(65)
Equipment Grant Expenditure	-	-
Net (Increase) Decrease in Government Reimbursements	734	(1,799)
Expenses Requiring Reclassification	-	(30)
Adjustment for Rounding	-	-
Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balance - governmental funds	157,212	167,983

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

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

INDEX

- NOTE 1. FUNCTION OF THE ENTITY**
- NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
- A. Reporting Entity
 - B. Basic Financial Statements – Government-Wide Statements
 - C. Basic Financial Statements – Fund Financial Statements
 - D. Basis of Accounting
 - E. Use of Estimates
 - F. Encumbrances
 - G. Financial Statement Amounts
- NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**
- A. Budgets and Budgetary Accounting
- NOTE 4. DETAIL NOTES ON ACCOUNTS AND TRANSACTION
Classes**
- A. Cash
 - B. Capital Assets
 - C. Long –Term Liabilities
 - D. Deferred Revenue
- NOTE 5. OTHER NOTES**
- A. Risk Management
 - B. Retirement and Benefit Plans

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1. FUNCTION OF THE ENTITY

The Vermejo Conservancy District (the District) was created by the Conservancy Act of New Mexico, Ch. 77-2701 through 77-2929 and the Conservancy District Reclamation Contract Act, Ch. 77-3101 through 77-3124, New Mexico Statutes annotated, 1941 Compilation, as amended. The Board appoints qualified personnel to guide and direct the operations of the District, and approves all contracts and the annual budget. The purpose of the agency is to operate and maintain the irrigation system within the Vermejo Conservancy.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASP) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phased implementation based on the size of the government.

In June, 2001, the GASB unanimously approved Statement No. 37, *Basic Financial Statements and management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. Statement 37 clarifies and modifies Statements 34 and should be implemented simultaneously with Statement 34. Statement 38 modifies, establishes and rescinds certain financial statement disclosure requirements.

The District implemented the provisions of GASB Statement No. 34, 37 and 38 effective July 1, 2003. As part of this Statement, there is a new reporting requirement regarding the government's infrastructure (roads, bridges, etc.). The District's infrastructure consists of earthen canals and reservoirs. Since these two items are considered land, no depreciation has been applied to them as shown in Note 4 of the footnotes. Maintenance of the infrastructure is included in the budget. In addition, the District does not have any fiduciary funds.

The District implemented the statutory change in the capitalization threshold of capital assets from \$1,000 to \$5,000, effective June 17, 2005. However, capital asset inventory items acquired prior to July 1, 2005, that do not meet the new capitalization threshold, remain on the inventory list and continue to be depreciated. See Note G.3.

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

A. REPORTING ENTITY

The District is special-purpose government created pursuant to statute and is comprised of an elected Board of Directors. The officers of the District are elected bi-annually. The District is a governmental subdivision of the State of New Mexico and a body with all the powers of a public or quasi-municipal corporation and these financial statements include all funds and activities over which the District officers have oversight responsibility. The officers of the District have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The District is not included in any other governmental reporting entity as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. The District does not have any component units.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT- WIDE STATEMENTS

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The new reporting model focus is on either the District as a whole, or major individual funds (within the fund financial statements). The District is a single-program government that engages in only governmental activities and has no component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental activities. In the government-wide Statement of Net Assets, the governmental activities are presented on the full accrual basis, economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets (of which none are present); and unrestricted net assets.

The government-wide Statement of Activities reports the gross and net cost of the District's function. The function is also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. The District includes only one function (district operations), and has no operating or capital grants. The District does not have an internal service fund, but all internal activities have been eliminated to avoid "doubling up" revenues and expenses.

The net costs (by function) are normally covered by program revenue (special assessments).

This government-wide measurement focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the District are reported in one fund in the fund financial statements. The fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The District does not have any proprietary or fiduciary funds.

The single fund of the District is described below:

General Fund – The General Fund is the general operating fund for the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The governmental fund statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the District's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

GASB Statement No. 34 eliminated the presentation of account groups, but provides for these records to be maintained and incorporates the information into the government-wide Statement of Net Assets.

Generally, private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

D. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Governmental activities in the government-wide financial statement are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Property taxes (water assessments) are recognized as revenues in the year which they are levied.

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

D. BASIS OF ACCOUNTING – Continued

Modified accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The district considers revenues to be available if they are collected within sixty days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Those revenues susceptible to accrual include water rights assessments. In accordance with GASB Statement 33, estimated assessments that are not available are recorded as both accounts receivable and deferred revenue. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received.

E. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

G. FINANCIAL STATEMENT AMOUNTS

1. Cash

For the purpose of the Statement of Net Assets, "cash" includes all petty cash, demand accounts, savings accounts and certificates of deposit of the District.

2. Assessments Receivable

Assessments receivable consists of revenue earned from assessments for water rights. The District has the option of collecting delinquent assessments by filing a lien against properties with delinquent accounts or filing a civil action against the delinquent property owners. Management had determined that assessments are fully collectible; accordingly no allowance for doubtful accounts has been recorded.

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

G. FINANCIAL STATEMENT AMOUNTS – Continued

2. Assessments Receivable - Continued

The Colfax County Treasurer bills and collects the general property tax levy (per share water assessments). Property taxes (water assessments) attach as an enforceable lien on January 1 of each year. Collections are remitted to the District monthly. As of June 30, 2011, all uncollectible taxes are considered delinquent.

Class A assessments are billed annually to all property owners within the District. Rates are set annually by the board and are payable semi-annually on January 1 and July 1.

Class B assessments are billed annually to all property owners within the District. Rates are set annually by the Board and are billed and collected by the Colfax County Treasurer. Class B assessments are payable in two installments on November 1 and April 1.

3. Capital Assets

Capital Assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. For capital assets acquired after June 17, 2005, the District increased the capitalization threshold from \$1,000 to \$5,000. Contributed assets are reported at fair market value as of the date received. Additions, improvements, computer software and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis with no salvage value. The estimated useful life for the distribution system is twenty to fifty years, and the estimated useful life of equipment is five to ten years.

GASB Statement No. 34 requires the District to report and depreciate infrastructure assets. Infrastructure assets include roads, bridges, underground pipe, traffic signals, etc. Other than the distribution system, the District does not own any infrastructure assets.

4. Compensated Absences

The District does not compensate employee absences in excess of the current year accruals. Employees are allowed up to 80 hours of paid vacation annually. Employees earn 80 hours of sick leave annually up to a cumulative 240 hours. Unused vacation time and unused sick leave are not monetarily compensated in excess of the current year amount; therefore, no accrual is required for compensated absences at year end.

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

G. FINANCIAL STATEMENT AMOUNTS – Continued

5. Equity Classifications

Government – wide Statements.

Equity is classified as net assets. Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent the historical costs of assets or fair value on date of receipt less accumulated depreciation on those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by the District or external restrictions by other governments, creditors or grantors. Unrestricted net assets are all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.” It is the District’s policy to first apply unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved with the unreserved further split between designated and undesignated. Reservations of fund balance are created to either satisfy legal covenants that require that a portion of the fund balance be segregated or identify the portion of the fund balance that is not appropriated for future expenditure.

6. Revenues and Expenditures

For class A assessments for the year ended June 30, 2011, the District assessed property owners at the rate of \$15.68 per share. For Class B assessments, the mill levy was decreased from \$5.02 in 2011 to \$4.04 in 2012. Substantially all governmental fund revenues are accrued. Assessments are included as program revenues in the accompanying financial statements.

Expenditures are recognized when the related fund liability is incurred. The exception is that principal on long-term debt is recognized when due.

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a government unit, the District is subject to various laws and contractual regulations. An analysis of the District’s compliance with significant laws and regulations and demonstration of its stewardship over District resources follows:

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

A. BUDGETS AND BUDGETARY ACCOUNTING

Irrigation Districts follow procedures that are promulgated by the Department of Finance and Administration, Local Government Division. Those procedures are as follows:

1. Prior to July 1, the Chairman submits to the Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. After the Board approves the proposed budget, it is then submitted to the Local Government Division for review and certification.
3. Upon certification the budget becomes a legally binding document which does not allow total expenditures in any fund to exceed the amount budgeted. Appropriations lapse at year-end.
4. The Board is authorized to make budget revisions with the Local Government Division's approval.
5. Formal budgetary integration is employed as a management control device during the year.

Budgets are not adopted on a basis consistent with generally accepted accounting principles (GAAP). The budgets are adopted on the non-GAAP basis of cash receipts and disbursements; consequently, certain revenues and the related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. Budgetary comparisons presented in this report are on this non-GAAP Budgetary basis.

The reconciliation of governmental fund revenues and expenses to budget basis revenue and expenses is presented in the Budgetary Comparison Statement – Budget – to – GAAP Reconciliation.

NOTE 4. DETAIL NOTES ON ACCOUNTS AND TRANSACTION CLASSES

A. CASH

Cash deposits are reported at cost, which reasonably estimates fair value. At year-end, the financial statement balances of the bank accounts and certificates of deposit were \$179,830 (not including petty cash of \$30) while the bank balances of the bank accounts and certificate of deposits were \$175,971.

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4. DETAIL NOTES ON ACCOUNTS AND TRANSACTION CLASSES

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2011, the District's accounts were 100% covered by FDIC insurance and no collateral was pledged.

The following schedule presents cash on deposit with banks and the collateral pledged by each institution in accordance with Section 6-10-16, NMSA, 1978 Compilation:

	Type	Amount
International Bank of Raton, 200 S 2nd, Raton, NM 87740:		
Financial statement balance	Checking	\$ 606
Reconciling items		-0-
Total balance per bank		<u>606</u>
Less: Deposits covered by FDIC		606
Total		<u>\$ -0-</u>
International Bank of Raton, 200 S 2nd St., Raton, NM 87740:		
Financial statement balance	Savings	\$106,572
Reconciling items		(3,859)
Total balance per bank		<u>102,713</u>
Less: Deposits covered by FDIC		102,713
Total		<u>\$ -0-</u>
International Bank of Raton, 200 S 2nd St., Raton, NM 87740:		
Financial statement balance	Savings	\$6,228
Reconciling items		-0-
Total balance per bank		<u>6,228</u>
Less: Deposits covered by FDIC		6,228
Total		<u>\$ -0-</u>
International Bank of Raton, 200 S. 2nd St., Raton, NM 87740:		
Financial statement balance	CD	\$ 25,850
Reconciling items		-0-
Total balance per bank		<u>25,850</u>
Less: Deposits covered by FDIC		25,850
Total		<u>\$ -0-</u>
International Bank of Raton, 200 S. 2nd St., Raton, NM 87740:		
Financial statement balance	CD	\$ 25,125
Reconciling items		-0-
Total balance per bank		<u>25,125</u>
Less: Deposits covered by FDIC		25,125
Total		<u>\$ -0-</u>

STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

A. CASH - Continued

The First National Bank of Trinidad, 1247 S 2 nd St., Raton, NM 87740:			
Financial statement balance	Savings		\$15,449
Reconciling items			-0-
Total balance per bank			15,449
Less: Deposits covered by FDIC			15,449
Total			\$ -0-

B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1,2010	Additions	Deletions	Balance June 30,2011
Capital assets not being Depreciated:				
Water rights, canals, Reservoirs & land	\$2,678,723	\$ -0-	\$ -0-	\$2,678,723
Capital assets being depreciated:				
Building & fences	21,302	-0-	-0-	21,302
Equipment	332,632	-0-	25,402	307,230
	353,934	-0-	25,402	328,532
Less: Accumulated depreciation				
Building & fences	13,478	391	-0-	13,869
Equipment	186,365	22,309	23,427	185,247
	199,843	22,700	23,427	199,116
Net capital assets being depreciated	154,091	(22,700)	1,975	129,416
Net capital assets	\$ 2,832,814	\$(22,700)	\$ 1,975	\$2,808,139

Depreciation expense of \$22,700 was charged to the district operations function of governmental activities.

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

C. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2011:

	Long-Term Debt Payable At June 30, 2010	New Obligations Incurred	Payments Made on Long-Term Debt	Long-Term Debt Payable At June 30, 2011	Due Within One Year
Bureau of Reclamation	\$1,998,031	\$ -0-	\$ -0-	\$1,998,031	\$ -0-
Interstate Stream Commission (1 notes)	68,306	-0-	6,862	61,444	7,033
Total	\$2,066,337	-0-	\$6,862	\$2,059,475	\$7,033

Notes Payable

\$2,065,100 note payable to the United States Department of Interior, Bureau of Reclamation, Repayment Contract #178-458, August 7, 1952. Public Law 96-550, December 19, 1980, Title IV, Section 401 provided deferment of payments on all repayment obligations until such time as a Secretary determines additional repayment to be feasible \$ 1,998,031

\$75,000 note payable to New Mexico Interstate Stream Commission on 10/10/08 in annual installments of \$8,569, including interest at 2.5% 61,444

Total \$2,059,475

Current year interest expense included as a direct function expense with district operations was \$1,708.

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

C. LONG-TERM LIABILITIES – Continued

The annual requirement to amortize the principal of all debt outstanding as of June 30, 2011, is as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	7,033	1,536
2013	7,209	1,360
2014	7,389	1,180
2015	7,574	995
2016	7,763	806
2017	7,958	612
Other	16,518	622
Amounts with no stated maturity	1,998,031	-0-
Total	<u>\$ 2,059,475</u>	<u>\$ 7,111</u>

D. UNEARNED REVENUES

The District received water delivery revenues in advance of June 30, 2011 in the amount of \$3,700. The revenues were received before they were earned. The unearned revenues will be applied to the member's account in the following fiscal year.

NOTE 5. OTHER NOTES

A. RISK MANAGEMENT

The District covers its insurance needs through various insurance policies. The coverage includes business and personal property, commercial general liability, non-owned and hired automobiles, worker's compensation, and a notary bond. The limits of coverage depend on the items being insured. The maximum coverage is generally limited to \$500,000. The premiums paid on the policies during the year were \$16,991. If the District's losses exceed its premiums, there is no supplemental assessment; while on the other hand, if the District's losses are low, they will not receive a refund. Therefore, except for deductible amounts, risk has been transferred to the insurance carrier.

B. RETIREMENT AND BENEFIT PLANS

The District does not currently offer to any employees any pension, deferred compensation plan, or health benefit plan.

C. PENDING LITIGATION

There was pending litigation on June 30, 2010, where a member claimed to have been damaged by the District and claimed that the District confiscated twenty (20) Class A shares of Water. This litigation has been resolved. There was no pending litigation as of June 30, 2011.

OTHER REPORTS



ROBERT L. MANTZ, CPA, P.C.

P.O. Box 634
Raton, New Mexico 87740-0634
(575) 445-3619 (575) 445-3610 Fax

Member: AICPA
American Institute of CPA'S
Colorado Society of CPA'S
New Mexico Society of CPA'S

**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***

Mr. Hector H. Balderas,
New Mexico State Auditor
And the
Members of the Board of Directors
Vermejo Conservancy District
Maxwell, New Mexico

We have audited the financial statements of the governmental activities, the general fund, and the budgetary comparison for the general fund of the Vermejo Conservancy District as of and for the years ended June 30, 2011 and 2010, which collectively comprise the Vermejo Conservancy District's basic financial statements and have issued our report thereon dated November 29, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Vermejo Conservancy District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Vermejo Conservancy District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements, that is more than inconsequential, will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or a combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The logo consists of the letters 'CPA' inside a circle, which is part of a larger graphic element on the left side of the page.

ROBERT L. MANTZ, CPA, P.C.

P.O. Box 634
Raton, New Mexico 87740-0634
(575) 445-3619 (575) 445-3610 Fax

Member: AICPA
American Institute of CPA'S
Colorado Society of CPA'S
New Mexico Society of CPA'S

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Vermejo Conservancy 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16 and pursuant to Section 12-6-5 NMSA 1978, which are described in the accompanying Schedule of Findings, Recommendations, and Responses as finding 11-1.

The District's response to the findings identified in our audit are described in the accompanying Schedule of Findings, Recommendations, and Responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Vermejo Conservancy District, the Office of the State Auditor, the New Mexico Legislature, and the New Mexico Department of Finance Administration, and is not intended to be and should not be used by anyone other than these specified parties.

November 29, 2011

Robert L. Mantz, CPA, P.C.

Robert L. Mantz, CPA, P.C.

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
June 30, 2011 and 2010**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

There were no audit findings in the prior year.

SUMMARY SCHEDULE OF CURRENT YEAR AUDIT FINDINGS

11-1. "Other" - Backups of the Computer Data

Condition: The computer data is being backed up at least monthly. The backup is stored on a memory stick. The memory stick is attached to the bookkeeper's key chain, which is used to operate her vehicle. The memory stick goes where she goes.

Criteria: The Board has the responsibility of protecting the District's assets in accordance with generally accepted accounting standards. One of their most important assets is the data stored in the computer. It is good that the District backs up all the information on the computer.

Effect: However, if the bookkeeper should misplace her key chain, or worst yet, if she would lose her key chain, the District's private information would be available to anyone that finds or locates her key chain.

Cause: The District understands the importance of backing up their computer data. Their understanding was that as long as the data was in an alternate location, other than the District's office, they were properly protected.

Recommendation: The District should make two backups. A working copy should be stored in the building for convenient use. Another copy should be stored in another location for safety. Both copies should be stored in secured locations. The one stored in the office should be stored in a safe or in a filing cabinet that has a lock on the cabinet. The second backup should be stored in a safe deposit box in a bank or other secured place.

Agency Response: The District will store the second backup in a secured alternate location.

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
June 30, 2011 and 2010**

FINANCIAL STATEMENT PREPARATION

In accordance with *Government Auditing Standards*, drafting the financial statements is considered to be technical assistance that would not impair independence if certain requirements are met. Although, it would be preferable and desirable for the District to prepare its own GAAP-based financial statements, it is felt that the District's personnel have neither the time nor the expertise to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes that were included in the annual audit report. Since, the District's management assumed the responsibility for the content of the financial report, and since, the District has the necessary accounting expertise to prevent, detect and correct a potential material misstatement in the financial statements, assisting the District with their financial statement preparation would not result in the conclusion that the District has a control deficiency.

**STATE OF NEW MEXICO
VERMEJO CONSERVANCY DISTRICT
EXIT CONFERENCE
June 30, 2011 and 2010**

EXIT CONFERENCE

On November 29, 2011, an exit conference was held at the District's office. Present was Secretary/Treasurer Bill Goebel, Trustee Karl Shubert General Manager Joe R. Hronich, Bookkeeper Telena Shubert, and auditor Robert L. Mantz, CPA. The contents of this report were discussed. The meeting was not open to the public.

Robert L. Mantz, CPA, P.C.

Robert L. Mantz, CPA, P.C.

November 29, 2011