



CPA

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**STATE OF NEW MEXICO  
VERMEJO CONSERVANCY DISTRICT  
AUDITED FINANCIAL STATEMENTS AND  
OTHER FINANCIAL INFORMATION  
JUNE 30, 2012 and 2011**

## INTRODUCTORY SECTION

THE UNIVERSITY OF  
MICHIGAN LIBRARY SYSTEM  
100 EAST LIBRARY STREET  
ANN ARBOR, MICHIGAN 48106  
(313) 763-1000

**STATE OF NEW MEXICO  
VERMEJO CONSERVANCY DISTRICT  
TABLE OF CONTENTS  
JUNE 30, 2012 and 2011**

	Page
<b>INTRODUCTORY SECTION:</b>	
TABLE OF CONTENTS	i
Official Roster	ii
 <b>FINANCIAL SECTION:</b>	
Independent Auditor's Report	1
Management's Discussion and Analysis (Required Supplementary Information)	2-6
 <b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements</b>	
Comparative Statement of Net Assets	7
Comparative Statement of Activities	8
<b>Fund Financial Statements</b>	
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
 <b>OTHER REPORTS:</b>	
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
 <b>SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES:</b>	 30-31
 <b>EXIT CONFERENCE:</b>	 32

**STATE OF NEW MEXICO  
VERMEJO CONSERVANCY DISTRICT  
OFFICIAL ROSTER  
JUNE 30, 2012**

**BOARD OF TRUSTEES**

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

**ADMINISTRATIVE STAFF**

Steve Hicks	General Manager
Telena Shubert	Secretary/Bookkeeper

## FINANCIAL SECTION

# ROBERT L. MANTZ, CPA, P.C.

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Member:  
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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, 2012 and 2011, 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, 2012 and 2011 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 December 3, 2012, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Robert L. Mantz, CPA, P.C.

*Robert L. Mantz, CPA, P.C.*

Raton, New Mexico  
December 3, 2012

**STATE OF NEW MEXICO  
VERMEJO CONSERVANCY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

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, 2012. All amounts, unless otherwise indicated, are expressed in dollars.

**FINANCIAL HIGHLIGHTS**

The District's total net assets decreased by \$10,148 in 2012 as compared to a \$37,876 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 \$223,054 which was an increase of \$4,376 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, 2012 and 2011. 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	
	2012	2011
Current Assets	236,524	225,618
Capital Assets (Net)	2,786,581	2,808,139
Total Assets	<u>3,023,105</u>	<u>3,033,757</u>
Long-term Liabilities Outstanding	2,045,232	2,052,442
Other Liabilities	20,679	13,973
Total Liabilities	<u>2,065,911</u>	<u>2,066,415</u>
Net Assets:		
Invested in Capital Assets	734,140	748,664
Restricted	-	-
Unrestricted	223,054	218,678
Total Net Assets	<u>957,194</u>	<u>967,342</u>

**Statement of Activities:** The following represents the revenues and expenses for fiscal years 2012 and 2011. See page 8 for a more detailed look at the Statement of Activities.

### VERMEJO CONSERVANCY DISTRICT

	Changes in Net Assets	
	Governmental Activities	
	2012	2011
Revenues:		
Program Revenues	3,514	44,429
General Revenues	138,280	166,498
Total Revenues	<u>141,794</u>	<u>210,927</u>
Expenses:		
District Operations	151,942	173,051
Change in Net Assets	(10,148)	37,876
Net Assets – Beginning	967,342	929,466
Net Assets - Ending	<u>957,194</u>	<u>967,342</u>

## **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 \$223,054.

The District's only fund is the General Fund. This fund realized an increase in its fund balance from the prior year by about \$4,376. The General fund revenues decreased by about \$71,107, because of decreases in the 2012 assessments and water charges. Expenditures decreased significantly from the prior year because of reduction in payroll expenditures and because of no purchases of equipment in 2012. The 2012 payroll costs decreased about \$13,210 because of a reduction in time. Payroll taxes decreased about \$1,016 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, 2012, amounted to \$2,786,581 (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 \$2,052,441, including the current portion due within the next twelve months of \$7,209.

The District's total long-term debt decreased by \$7,034, 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 increased its assessments from a \$4.04 mill levy in 2012 to a \$4.23 mill levy in 2013. The anticipated budget expenditures increased from \$195,390 in 2012 to \$215,670 in 2013.

## **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, 2012 and 2011**

	2,012	2,011
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	181,933	179,860
Class "A" Assessments Receivable	44,251	34,593
Class "B" Assessments Receivable	2,926	340
Accrued Interest Receivable	87	72
Due from Other Governments	-	1,223
Undeposited Funds Receivable	-	1,774
Prepaid Insurance	7,281	7,756
Prepaid Expense	46	-
Total Current Assets	236,524	225,618
<b>Noncurrent Assets</b>		
Capital Assets	3,007,255	3,007,255
Less: Accumulated Depreciation	(220,674)	(199,116)
Net Capital Assets	2,786,581	2,808,139
<b>Total Assets</b>	<b>3,023,105</b>	<b>3,033,757</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	5,570	2,857
Unearned Revenues	7,645	3,700
Payroll Taxes Payable	255	383
Note Payable - Current Portion	7,209	7,033
Total Current Liabilities	20,679	13,973
<b>Long-term Liabilities:</b>		
Notes Payable	2,052,441	2,059,475
Less: Current Portion from Above	(7,209)	(7,033)
Total Long-term Liabilities	2,045,232	2,052,442
<b>Total Liabilities</b>	2,065,911	2,066,415
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	734,140	748,664
Unrestricted	223,054	218,678
Total Net Assets	957,194	967,342
<b>Total Liabilities and Net Assets</b>	<b>3,023,105</b>	<b>3,033,757</b>

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, 2012 and 2011**

	2,012	2,011
<b>Expenses</b>		
<b>District Operations</b>		
Salaries	59,058	72,268
Payroll Taxes	4,565	5,581
Advertising	1,031	68
Auditing Fees	4,318	3,940
Bank Charges	65	-
Capital Outlay	714	-
Contract Labor	4,327	6,111
County Treasurer's Fees	217	184
Depreciation Expense	21,558	22,700
Dues and Subscriptions	60	102
Equipment Rental	-	-
Equipment Repairs and Supplies	11,075	14,640
Gas and Oil	17,273	18,736
Insurance	15,640	15,381
Interest Expense	1,536	1,708
Irrigation Expense	-	-
Legal Fees	2,502	2,289
Miscellaneous Expense	1,038	1,720
Office Printing	146	4
Office Postage	459	275
Office Supplies	1,386	1,299
Telephone	1,029	929
Travel	802	2,081
Utilities	3,143	3,035
<b>Total District Operations</b>	151,942	173,051
<b>Program Revenues</b>		
<b>Charges for Service</b>		
Water Charges	3,344	44,324
Canal Assessments	170	105
<b>Total Program Revenues</b>	3,514	44,429
<b>Changes in Net Assets</b>		
Net (Expense) Revenue	(148,428)	(128,622)
<b>General Revenues</b>		
Class "A" Assessments	92,765	114,814
Class "B" Assessments	21,705	18,467
Unrestricted Grants	-	-
Lease and Rental Income	19,331	18,431
Equipment Rental	385	240
Sale of Assets	-	10,190
Unrestricted Interest Income	1,528	3,636
Miscellaneous Income	2,566	720
<b>Total General Revenues</b>	138,280	166,498
<b>Change in Net Assets</b>	(10,148)	37,876
<b>Net Assets - Beginning of Year</b>	967,342	929,466
<b>Net Assets - End of Year</b>	957,194	967,342

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

**STATE OF TEXAS**  
**COMPTROLLER OF PUBLIC ACCOUNTS**  
**REPORT OF REVENUE AND EXPENDITURES**  
**FOR THE YEAR ENDING SEPTEMBER 30, 1999**

Category	1999	1998
General Revenue	11,671,000	11,671,000
Special Revenue	1,234,567	1,234,567
Transfers	567,890	567,890
Other	123,456	123,456
<b>Total</b>	<b>13,596,913</b>	<b>13,596,913</b>

**FUND FINANCIAL STATEMENTS**

Fund	1999	1998
General Fund	10,000,000	10,000,000
Capital Projects	2,000,000	2,000,000
Debt Service	1,000,000	1,000,000
Other Funds	596,913	596,913
<b>Total</b>	<b>13,596,913</b>	<b>13,596,913</b>

**STATE OF NEW MEXICO  
VERMEJO CONSERVANCY DISTRICT  
COMPARATIVE BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012 and 2011**

<b>ASSETS</b>	<u>2,012</u>	<u>2,011</u>
Cash	181,933	179,860
Class "A" Assessments Receivable	44,251	34,593
Class "B" Assessments Receivable	2,926	340
Accrued Interest Receivable	87	72
Due from Other Governments	-	1,223
Undeposited Funds Receivable	-	1,774
Prepaid Insurance	7,281	7,756
Prepaid Expenses	46	-
	<u>236,524</u>	<u>225,618</u>
<b>Total Assets</b>	<u><u>236,524</u></u>	<u><u>225,618</u></u>
 <b>LIABILITIES</b>		
Accounts Payable	5,570	2,857
Unearned Revenues	7,645	3,700
Payroll Taxes Payable	255	383
	<u>13,470</u>	<u>6,940</u>
<b>Total Liabilities</b>	<u>13,470</u>	<u>6,940</u>
 <b>FUND BALANCE</b>		
Unreserved Undesignated	223,054	218,678
	<u>223,054</u>	<u>218,678</u>
<b>Total Fund Balance</b>	<u>223,054</u>	<u>218,678</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>236,524</u></u>	<u><u>225,618</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, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
Total Fund Balances for the Governmental Funds	223,054	218,678
<hr/>		
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	3,007,255
Accumulated depreciation	(220,674)	(199,116)
Total capital assets	<u>2,786,581</u>	<u>2,808,139</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>(2,052,441)</u>	<u>(2,059,475)</u>
Net assets of Governmental Activities	<u>957,194</u>	<u>967,342</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, 2012 and 2011**

	2,012	2,011
<b>REVENUES</b>		
Class "A" Assessments	92,765	114,814
Class "B" Assessments	21,705	18,467
Water Charges	3,344	44,324
Canal Assessments	170	105
Lease and Rental Income	19,331	18,431
Equipment Rental	385	240
Sale of Assets	-	12,166
Investment Interest Income	597	868
Interest on Account	931	2,768
Miscellaneous Income	2,566	718
Total Revenues	141,794	212,901
<b>EXPENDITURES</b>		
Current:		
District Operations:		
Salaries	59,058	72,268
Payroll Taxes	4,565	5,581
Advertising	1,031	68
Auditing Fees	4,318	3,940
Bank Fees	65	-
Contract Labor	217	6,111
County Treasurer's Fees	4,327	184
Dues and Subscriptions	60	102
Equipment Rental	-	-
Equipment Repairs and Supplies	11,075	14,640
Gas and Oil	17,273	18,736
Insurance	15,640	15,381
Irrigation Expenses	-	-
Legal Fees	2,502	2,289
Miscellaneous Expense	1,039	1,719
Office Printing	146	4
Office Postage	459	275
Office Supplies	1,386	1,299
Telephone	1,029	929
Travel	802	2,081
Utilities	3,143	3,035
Capital Outlay	714	-
Debt Service		
Principal	7,033	6,862
Interest	1,536	1,708
Total Expenditures	137,418	157,212
 <b>Net Changes in Fund Balances</b>	 4,376	 55,689
<b>FUND BALANCE AT Beginning of Year</b>	218,678	162,989
<b>FUND BALANCE AT End of Year</b>	223,054	218,678

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, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
Net Change in Fund Balances – Governmental Funds	4,376	55,689
Amounts reported for governmental activities in the statement of activities are different because:		
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:		
Basis of equipment sold	-	(1,976)
	4,376	53,713
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:		
Capital outlay	-	-
Depreciation expense	(21,558)	(22,700)
Excess of capital outlay over depreciation expense	(21,558)	(22,700)
Debt service – principal payments	7,033	6,862
Adjustment for Rounding	1	1
Change in Net Assets of Governmental Activities	(10,148)	37,876

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, 2012 and 2011

	2012			
	<u>Budgeted Amounts</u>		Actual Amounts Budgetary	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Basis	
<b>REVENUES</b>				
Class "A" Assessments	97,460	97,460	88,826	(8,634)
Class "B" Assessments	24,365	24,365	19,118	(5,247)
Water Charges	40,608	40,608	3,344	(37,264)
Canal Assessments	127	127	170	43
Pasture and Lake Lease	12,630	12,630	16,331	3,701
Rental Income	3,000	3,000	3,000	-
Rental - Equipment	-	-	385	385
Sale of Assets	-	-	-	-
Investment Interest	1,200	1,200	581	(619)
Interest on Account	-	-	931	931
Miscellaneous Income	1,000	1,000	4,034	3,034
Total Revenues and Sources	<u>180,390</u>	<u>180,390</u>	<u>136,720</u>	<u>(43,670)</u>
 Budgeted Cash Balance	 <u>15,000</u>	 <u>15,000</u>		
 Total Revenues and Cash	 <u>195,390</u>	 <u>195,390</u>		
 <b>EXPENDITURES</b>				
Current:				
District Operations:				
Salaries	95,000	94,000	59,058	34,942
Payroll Taxes	5,000	5,000	4,810	190
Advertising	-	-	1,076	(1,076)
Auditing Fees	4,320	4,320	4,318	2
Contract Labor	-	-	4,544	(4,544)
County Treasurer's Fees	-	-	217	(217)
Dues & Subscriptions	-	-	60	(60)
Equipment Repairs and Supplies	20,000	20,000	9,806	10,194
Gas and Oil	18,000	18,000	15,541	2,459
Insurance	16,500	16,500	15,165	1,335
Legal Fess	5,000	5,000	2,502	2,498
Miscellaneous Expense	10,000	10,000	1,277	8,723
Office Supplies	1,500	2,500	1,459	1,041
Office Postage	-	-	459	(459)
Office Printing	-	-	146	(146)
Telephone	1,000	1,000	959	41
Travel	2,000	2,000	802	1,198
Utilities	3,500	3,500	3,164	336
Capital Outlay	5,000	5,000	714	4,286
Debt Service:				
Principal	7,034	7,034	7,033	1
Interest	1,536	1,536	1,536	-
Total Expenditures and Uses	<u>195,390</u>	<u>195,390</u>	<u>134,646</u>	<u>60,744</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, 2012 and 2011

	2011			
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Budgetary	Final Budget
			Basis	Favorable (Unfavorable)
<b>REVENUES</b>				
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
<b>Total Revenues and Sources</b>	<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>		
 <b>EXPENDITURES</b>				
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)
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  
BUDGET-TO-GAAP RECONCILIATION  
GENERAL FUND  
For The Years Ended June 30, 2012 and 2011**

	2012	2011
<b>Sources/Inflows of Resources:</b>		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement	136,720	190,444
Revenues measurable and accounted for this year, but received in the next year.	47,264	35,005
Revenues measurable and accounted for last year, but Received in the current year.	(35,005)	(25,548)
Unearned revenues received last year and earned this year.	3,700	15,295
Unearned revenues received this year but will not be earned until next year.	(7,645)	(3,700)
Other Revenues – Increase (Decrease)	(2,997)	1,406
Net Increase (Decrease) in Government Reimbursements	(243)	-
Adjustment for Rounding	-	(1)
Total revenues and other financing sources as reported in the statement of revenues expenditures and changes in fund balance-governmental	141,794	212,901
 <b>Uses/Outflows of Resources:</b>		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	134,646	157,537
Expenditures incurred this year, but not paid until next year.	5,825	3,240
Expenditures incurred last year but paid this year.	(3,240)	(2,689)
Increase (Decrease) in prepaid expense accrual	429	(1,610)
Equipment Grant Expenditure	-	-
Net (Increase) Decrease in Government Reimbursements	(243)	734
Adjustment for Rounding	1	-
Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balance - governmental funds	137,418	157,212

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, 2012**

**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, 2012**

**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, 2012**

**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, 2012**

**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, 2012**

**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, 2012**

**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, 2012, all uncollectible taxes are considered delinquent. However, all property taxes are considered collectable.

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, 2012**

**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, 2012, the District assessed property owners at the rate of \$13.19 per share. For Class B assessments, the mill levy 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, 2012**

**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 \$181,903 (not including petty cash of \$30) while the bank balances of the bank accounts and certificate of deposits were \$181,903.

**STATE OF NEW MEXICO  
VERMEJO CONSERVANCY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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, 2012, 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
<b>International Bank of Raton, 200 S 2<sup>nd</sup>, Raton, NM 87740:</b>		
Financial statement balance	Checking	\$ 1,375
Reconciling items		-0-
Total balance per bank		<u>1,375</u>
Less: Deposits covered by FDIC		<u>1,375</u>
Total		<u>\$ -0-</u>
<b>International Bank of Raton, 200 S 2<sup>nd</sup> St., Raton, NM 87740:</b>		
Financial statement balance	Savings	\$107,400
Reconciling items		-0-
Total balance per bank		<u>107,400</u>
Less: Deposits covered by FDIC		<u>107,400</u>
Total		<u>\$ -0-</u>
<b>International Bank of Raton, 200 S 2<sup>nd</sup> St., Raton, NM 87740:</b>		
Financial statement balance	Savings	\$ 6,236
Reconciling items		-0-
Total balance per bank		<u>6,236</u>
Less: Deposits covered by FDIC		<u>6,236</u>
Total		<u>\$ -0-</u>
<b>International Bank of Raton, 200 S. 2<sup>nd</sup> St., Raton, NM 87740:</b>		
Financial statement balance	CD	\$ 26,005
Reconciling items		-0-
Total balance per bank		<u>26,005</u>
Less: Deposits covered by FDIC		<u>26,005</u>
Total		<u>\$ -0-</u>
<b>International Bank of Raton, 200 S. 2<sup>nd</sup> St., Raton, NM 87740:</b>		
Financial statement balance	CD	\$ 25,399
Reconciling items		-0-
Total balance per bank		<u>25,399</u>
Less: Deposits covered by FDIC		<u>25,399</u>
Total		<u>\$ -0-</u>

**STATE OF NEW MEXICO  
VERMEJO CONSERVANCY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**A. CASH - Continued**

The First National Bank of Trinidad, 1247 S 2<sup>nd</sup> St., Raton, NM 87740:

Financial statement balance	Savings	\$ 15,488
Reconciling items		-0-
Total balance per bank		15,488
Less: Deposits covered by FDIC		15,488
Total		\$ -0-

Total Summary of Cash:

Financial statement balance	\$181,903
Reconciling items	-0-
Total balance per bank	181,903
Less: Deposits covered by FDIC	181,903
Total	\$ -0-

**B. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
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	307,230	-0-	-0-	307,230
	328,532	-0-	-0-	328,532
Less: Accumulated depreciation				
Building & fences	13,869	391	-0-	14,260
Equipment	185,247	21,167	-0-	206,414
	199,116	21,558	-0-	220,674
Net capital assets being depreciated	129,416	(21,558)	-0-	107,858
Net capital assets	\$ 2,808,139	\$(21,558)	\$ -0-	\$2,786,581

Depreciation expense of \$21,558 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, 2012**

**C. LONG-TERM LIABILITIES**

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2012:

	Long-Term Debt Payable At June 30, 2010	New Obligations Incurred	Payments Made on Long-Term Debt	Long-Term Debt Payable At June 30, 2012	Due Within One Year
Bureau of Reclamation	\$1,998,031	\$ -0-	\$ -0-	\$1,998,031	\$ -0-
Interstate Stream Commission (1 notes)	61,444	-0-	7,033	54,411	7,209
<b>Total</b>	<b>\$2,059,475</b>	<b>-0-</b>	<b>\$7,033</b>	<b>\$2,052,442</b>	<b>\$ 7,209</b>

**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% 54,411

**Total** \$2,052,442

Current year interest expense included as a direct function expense with district operations was \$1,536.

**STATE OF NEW MEXICO  
VERMEJO CONSERVANCY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**C. LONG-TERM LIABILITIES – Continued**

The annual requirement to amortize the principal of all debt outstanding as of June 30, 2012, is as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	7,209	1,360
2014	7,389	1,180
2015	7,574	995
2016	7,763	806
2017	7,958	612
2018	8,156	413
2019	8,360	209
Amounts with no stated maturity	1,998,031	-0-
Total	<u>\$ 2,052,442</u>	<u>\$ 5,575</u>

**D. Deferred Revenues**

The District received water delivery revenues in advance of June 30, 2012 in the amount of \$7,645. 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 \$15,165. 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. Items required by the court decision are being processed. There was no pending litigation as of June 30, 2012.

## OTHER REPORTS

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Member:  
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, 2012 and 2011, which collectively comprise the Vermejo Conservancy District's basic financial statements and have issued our report thereon dated December 3, 2012. 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**

Management of the District is responsible for establishing and maintaining effective 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 *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 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.



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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

**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 2012-1.

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.

December 3, 2012



Robert L. Mantz, CPA, P.C.

**STATE OF NEW MEXICO  
VERMEJO CONSERVANCY DISTRICT  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
June 30, 2012 and 2011**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

2011-1. "Other" – Backups of the Computer Data - Resolved

**SUMMARY SCHEDULE OF CURRENT YEAR AUDIT FINDINGS**

2012-1. "Other" - Class "B" Assessments

**Condition:** The assessment amount listed on the District's Annual Budget amount does agree with the Colfax County Treasurer's assessment amount. The District's anticipated amount from Class "B" assessments is \$24,364.95. Colfax County Treasurer's anticipated amount is \$17,702.63. It appears the number of shares being used by the District is different than the number of shares being used by the county.

**Criteria:** The Board has the responsibility of protecting the District's assets in accordance with generally accepted accounting standards. The District responsibility is not only protect the current assets of the District, but ensure that the assets due the District are received by the District.

**Effect:** The District may have been shorted by about \$6,662 in 2011/2012. This may have been perpetuated by shortages in previous years. Because the budget for 2012/2013 has already been prepared and submitted, the new year may have shortages, also.

**Cause:** The District's share book does not agree with the County's list of the number of shares. When the District computes their mill levy for each share, the result is a shortage because the county's number of shares is less than the District's.

**Recommendation:** The District should compare their books with the Colfax County Treasurer's books. Reconciling the books now will ensure the proper receipts are received in 2013/2014.

**Agency Response:** The District will compare their records with the Colfax County Treasurer and ensure their records reconcile. Any corrective action required will be initiated.

**STATE OF NEW MEXICO  
VERMEJO CONSERVANCY DISTRICT  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
June 30, 2012 and 2011**

**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, 2012 and 2011

**EXIT CONFERENCE**

On December 3, 2012, an exit conference was held at the District's office. Present was Vice President Roger Kuchan, Director Karl Shubert, General Manager Steve Hicks, Office Manager Telana Shubert, and auditor Robert L. Mantz, CPA. The contents of this report were discussed with the participants. The meeting was not open to the public.

Robert L. Mantz, CPA, P.C.



December 3, 2012