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STATE OF NEW MEXICO

Vermejo Conservancy District

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Year Ended June 30, 2014

STATE OF NEW MEXICO
Vermejo Conservancy District

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June 30, 2014

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STATE OF NEW MEXICO
Vermejo Conservancy District
Official Roster
June 30, 2014

Official Roster

Board Members

Roger Kuchan

Position

President

Bob Hronich

Vice President

Bill Goebel

Secretary

Randy Casper

Board Member

Karl Shubert

Board Member

Administrative Staff

Henry Hicks

Position

General Manager

Shawna Lindsley

Office Manager

Charles L. Henry

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

**Karl Shubert, President - Current President
and Members of the Board
Vermejo Conservancy District
and
Honorable Timothy Keller
New Mexico State Auditor**

I have performed the procedures enumerated below for the Vermejo Conservancy District (District), for the year ended June 30, 2014. The District was determined to be a Tier 4 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the District through the Office of the New Mexico State Auditor. The management of the Vermejo Conservancy District is responsible for the organization's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. My procedures and findings are as follows:

CASH

PROCEDURES:

- a) Determined whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.
- b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to Department of Finance and Administration-Local Government Division (DFA-LGD).
- c) Determined whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

OBSERVATIONS:

- a) The District has one checking account, one money market account, two savings accounts and two Certificates of Deposit . The QuickBooks software package is used to record District transactions. All bank reconciliations were reviewed and were found to be on hand and completed timely.
- b) All bank reconciliations were reviewed for the year and found to be accurately prepared and balances reflected in the reconciliations were traced to the general ledger and related supporting documents.
- c) The District minutes reflect compliance with budget requirements of the DFA-LGD. The preliminary and final budget provided by the District was reviewed and a copy is attached. The District was not able to provide documents indicating final acceptance by DFA-LGD. (Finding - 2014-003)
- d) Bank account balances did not exceed uninsured limits during the year ended June 30, 2014 and therefore, pledged collateral was not required for any bank account.

CAPITAL ASSETS

PROCEDURES:

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

OBSERVATIONS:

The District was not able to provide a list of all of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority. (Finding - 2014-002)

REVENUE

PROCEDURES:

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

- a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year ended June 30, 2014 for each type of revenue source.

Select a sample of revenue - Based on Auditor Judgment - and test using the following attributes;

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

OBSERVATIONS:

- a) The District provided revenue and expenditures for the year ended June 30, 2014 that were compared to the budget as provided to DFA-LGD. The minutes of the District reflect the approval of the final budget by the board and quarterly information as provided to DFA-LGD was reviewed. The District was unable to provide a approval letter from DFA-LGD for the final budget and the budget approval by DFA-LGD was not made part of the minutes as required by Section 6-6-5 NMSA 1978. (Finding - 2014-003)
- b) Cash balances recorded in the general ledger agreed with the bank reconciliations.
- c) A sample of 73 revenue transactions was selected to test for proper classification, amount and period. This test sample resulted in 61% of the total cash basis revenue of the District being tested with no exceptions being noted.

EXPENDITURES**PROCEDURES**

Select a sample of cash disbursements - Based on Auditor Judgment - and test using the following attributes:

- a) Determine that amounts recorded as disbursed agree to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements, and established policies and procedures.
- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

OBSERVATIONS:

- a) As part of the test of transactions Federal Payroll Tax Reports (941) were requested for all quarters of the fiscal year and were compared to disbursements as reflected on the general ledger. The required monthly payment to the Internal Revenue Service for February 2014 was not found. (Finding - 2014-004)
- b) A sample of cash basis expense transactions generated from the books and records. This sample represented 65% of the total expenses reflected without including payroll that was evaluated separately. These expenses were tested to determine if they were properly authorized and in compliance with budget, legal requirements and supported by District policies without exceptions being noted.

- c) The bid process (or request for proposal process, if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC). Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC) were found to be compliant.

JOURNAL ENTRIES

PROCEDURES

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

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

OBSERVATIONS:

- a) The District made no journal entries for the period and it is noted that journal entries are not normally prepared by the District.

BUDGET

PROCEDURES

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

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

OBSERVATIONS:

- a) The District provided quarterly information provided to DFA-LGD for the fiscal year and the minutes reflected approval of the final budget to be provided to DFA-LGD but there was no entry in the minutes that DFA-LGD approved the budget as required. (Finding - 2014-003)
- b) A review of the budget as well as the expenditures found that the actual expenditures did not exceed budgeted expenditures.

OTHER

PROCEDURES

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose in the report as required by Section 2.2.2 10(I)(3) NMAC.

OBSERVATIONS:

No exceptions were found as a result of applying the procedures above indicating any fraud or illegal acts by the District. (Finding - 2014-001)

I was not engaged to, and did not conduct an audit, the objectives of which would be the expression of an opinion on the accounting records. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have to be reported to you.

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



Charles L. Henry
Certified Public Accountant
June 14, 2017

STATE OF NEW MEXICO
Vermejo Conservancy District
Statement of Revenues, Expenditures - Budget and
Actual (Non-GAAP Budgetary Basis)
For the Year Ended June 30, 2014

	Budget	Actual Cash Basis	Variance Favorable (Unfavorable)
Revenues			
Class A	\$ 101,288	\$ 101,245	\$ (43)
Class B	25,322	20,346	(4,976)
Contracted Services	-	4,960	4,960
Water Charge	42,203	16,985	(25,218)
Capital Improvement	-	-	-
Pasture / Lake Lease	12,630	13,931	1,301
Interest	1,200	3,551	2,351
Rent	3,000	3,123	123
Misc. Income	1,000	935	(65)
Canal Assessment	127	121	(6)
NMDOT Surplus Equipment Auction	-	25,000	25,000
Carry Over From Previous Year	35,000	164	(34,836)
	221,770	190,361	(31,409)
Total Revenues			
Expenditures			
Equip. Purchase / Lease	5,000	25,000	(20,000)
Equip. Repair / Supply	15,000	12,110	2,890
Interest	-	1,180	(1,180)
Gas & Oil	30,000	23,321	6,679
Office Supply	2,000	1,689	311
Insurance	15,500	15,420	80
Misc Expense	10,000	2,498	7,502
Salaries / Payroll Tax	85,000	79,773	5,227
Accounting	4,700	4,533	167
Legal	5,000	2,063	2,937
Telephone	1,000	1,004	(4)
Travel Expense	1,000	745	255
Utilities	4,000	3,255	745
	178,200	172,591	5,609
Total Expenditures			
Excess (Deficiency) of Revenues over Expenditures	43,570	17,770	(37,018)
Principal Payment on District Loans	43,570	42,390	1,180
Excess (Deficiency) of Receipts over Disbursements	-	(24,620)	(38,198)
Cash balance beginning of Year	240,185	240,185	
Cash balance End of Year		\$ 215,565	

Unaudited - see Independent Accountant's Report on Applying Agreed-Upon Procedures

Vermejo Conservancy District
Final Budget 2013-2014

Revenues:	Class A	\$ 101,287.80
	Class B	\$ 25,321.95
	Water Charge	\$ 42,203.25
	Pasture/Lake Lease	\$ 12,630.00
	Interest	\$ 1,200.00
	Rent	\$ 3,000.00
	Misc. Income	\$ 1,000.00
	Canal Assessment	\$ 127.00
	Carry Over from Previous Year	\$ 35,000.00
	Total Income	\$ 221,770.00

Expenditures:	Equip. Purchase/Lease	\$ 5,000.00
	Equip. Repair/Supply	\$ 15,000.00
	Loan Payment	\$ 43,570.00
	Gas & Oil	\$ 30,000.00
	Office Supply	\$ 2,000.00
	Insurance	\$ 15,500.00
	Misc. Expense	\$ 10,000.00
	Salaries/Payroll Tax	\$ 85,000.00
	Accounting	\$ 4,700.00
	Legal	\$ 5,000.00
	Telephone	\$ 1,000.00
	Travel Expense	\$ 1,000.00
	Utilities	\$ 4,000.00
	Total Expenditures	\$ 221,770.00

\$221,770.00 Total Expenditures
 \$52,957.00 Other Income (Leases, Rent, etc.)
 \$168,813.00 Adjusted Total Expenditures

\$168,813.00 Adjusted Total Expenditures
 X 75%
 \$ 126,609.75 Class A & B Revenue
 X 80%
 \$ 101,287.80 Class A Total Revenue
 ÷ 7389 Shares
 \$ 13.71 Class A Assessment/ Share

\$ 126,609.75 Class A & B Revenue
 X 20%
 \$ 25,321.95 Class B Total Revenue
 — 14750847 Current Year Total Form PTD-13
 \$ 0.00171664
 X 1000
 \$ 1.72 Mill Levy

\$168,813.00 Total Expenditures
 X 25%
 \$42,203.25
 — 1850.00 Est. AF to be Delivered
 \$22.81 Water Delivery Charge

STATE OF NEW MEXICO
Vermejo Conservancy District
Schedule of Findings and Responses
June 30, 2014

STATUS OF PRIOR YEAR FINDINGS

2013-001 - Grant to Purchase Equipment Was Not Booked -- Resolved

CURRENT YEAR FINDINGS:

2014-001 - Failure to file and provide Tier 4 Engagement Report by the Required Due Dates - Compliance

Condition:

The District did not submit the completed Recommendation Form for Tiered System Local Public Bodies to the Office of the State Auditor by the required date. In addition the audit report was not delivered to the state auditor by the required due date.

Criteria:

2.2.2.16 (D) (6) NMAC required that the District submit the completed Recommendation Form for Tiered System Local Public Bodies by July 1 and the due date for filing this required report was December 1, 2014. Audit Rule 2.2.2 16 (H) NMAC.

Effect:

Since the recommendation form and contract were submitted late, the agreed-upon procedures report was not submitted to the State Auditor by the required due date. By being late the users of the report were not receiving timely information about the results of the agreed-upon procedures and the District was not in compliance with the State Audit Rule.

Cause:

The District was negotiating with a IPA for audit services and the minutes of June 10, 2014 indicate that there was corrections in the amount of the audit needed before entering into a contract. A special meeting of the board was held on June 24, 2014 in which the corrections were made and the decision to contract with the IPA was agreed to with final approval of the audit on July 8, 2014. The The District contracted for audit services with the IPA and for unknown reasons the IPA was unable to provide the services contracted.

Recommendation:

The District should be proactive in the selection of their IPA by starting the process of selection earlier in the fiscal year as well as verifying the quality of and ability to perform the needed services are addressed as much as possible.

Management Response:

The District was aware of the Audit Rule requirements and had a long relationship with the IPA. The lack of performance was not anticipated and the District was not prepared to deal with the contracted IPA's inability to perform contracted services and the District concurs with the above recommendation. Another IPA has been engaged and this issue will be resolved as the reporting requirement is brought current in FYE 2017.

STATE OF NEW MEXICO
Vermejo Conservancy District
Schedule of Findings and Responses

June 30, 2014

CURRENT YEAR FINDINGS:

2014-002 - No Capital Asset Inventory Listing and No Board Certification of Inventory at Fiscal Year-End - Material Weakness & Compliance

Condition:

The District did not perform and document a physical inventory of its capital assets for the physical year ended June 30, 2014 for all movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority the description of the asset, date acquired, cost, location, useful life, and ending balance should be recorded on the District's capital asset inventory. Also the governing body of the District did not certify the correctness of the capital asset inventory after the physical inventory was performed.

Criteria:

Section 12-6-10 (A) NMSA 1978 STATES: The governing authority of each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority. Upon completion, the inventory shall be certified by the governing authority as to correctness. Each agency shall maintain one copy in its files.

Effect:

Because the District does not possess a maintained or verifiable capital asset inventory as required the controls over the maintenance and existence of fixed assets have been compromised and District assets are at risk of misuse or fraud.

Cause:

The District was not aware of the requirement to certify a physical inventory and considered the depreciation schedules as prepared and maintained by the IPA as an adequate inventory.

Recommendation:

At the end of each fiscal year, the District should perform and document a complete physical inventory of its capital assets. For each capital asset, the description of the asset, date acquired, cost, location, useful life, and ending balance of its capital assets should be recorded on the District's capital asset listing. The District should develop and implement written policies and procedures to perform the capital asset inventory on an annual basis, and record and account for its capital assets in accordance with state laws and regulations.

Management Response:

The District manager will perform and document a complete physical inventory of capital assets which will include the required data. After the inventory is performed, the inventory listing will be certified as to correctness and signed by the Board starting June 30, 2017.

STATE OF NEW MEXICO
Vermejo Conservancy District
Schedule of Findings and Responses

June 30, 2014

CURRENT YEAR FINDINGS:

2014-003 - Approved Budget by DFA-LGD was Not Made Part of the Minutes - Compliance

Condition:

The district minutes do not provide the required approval of the final budget by DFA-LGD and no final acceptance letter from DFA-LGD was available.

Criteria:

Section 6-6-5 NMSA 1978 requires that budgets approved by DFA-LGD be made part of the minutes of the governing body.

Effect:

The District has not complied with state statute.

Cause:

The District was not aware that the final budget approval was required to be part of the minutes.

Recommendation:

The District should record all approval letters from DFA in the minutes as received.

Management Response:

The District agrees with the above recommendation. Due to the late filing of the Agreed Upon Procedures report the corrective action plan will be applied for the Fiscal Year ended June 30, 2018.

STATE OF NEW MEXICO
Vermejo Conservancy District
Schedule of Findings and Responses

June 30, 2014

CURRENT YEAR FINDINGS:

2014-004 - Required Payroll Tax Deposit Was Not Made - Significant Deficiency

Condition:

A payroll tax liability of \$1,686 resulting from the withholding of required taxes and related matching funds of District employees for the month of February 2014 was not made.

Criteria:

The Internal Revenue Service and Federal Tax law requires that all deductions from gross payroll associated with Federal Withholding, Social Security and Medicare taxes and any required employer matching funds be timely remitted to the Internal revenue service.

Generally accepted accounting principles require internal control procedures to provide that errors or omissions will have a high probability of being detected.

Effect:

The lack of payment of the payroll tax liability was not detected by any control of the District.

Cause:

The payment required was overlooked and the District did not have internal control policies in place to detected the error.

Recommendation:

Required payroll reports should be checked after being prepared and all related deposits should be tied to the general ledger or cash disbursements.

Management Response:

The District Board will provide a review policy to be drafted during FYE 2018 to insure that required payroll tax reports are filed, all payments verified by the office manager and be reflected in the minutes each quarter.

STATE OF NEW MEXICO
Vermejo Conservancy District
Exit Conference
June 30, 2014

FINANCIAL STATEMENT PREPARATION

The accompanying financial information was prepared by Charles L. Henry CPA. However, the contents remain the responsibility of the District.

EXIT CONFERENCE

On June 14, 2017 an exit conference was held in the offices of Vermejo Conservancy District . In attendance was Karl Shubert- current District President, Roger Kuchan - current Board Member, Joe Hronich the current District General Manager as well as Tammy Brandfas current Office Manager and Charles Henry CPA