

# **Charles L. Henry**

*Certified Public Accountant*

666 Cook Avenue

Raton, New Mexico 87740

(505) 681-9762

## **STATE OF NEW MEXICO**

**Vermejo Conservancy District**

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

*For the Year Ended June 30, 2018*



**STATE OF NEW MEXICO**  
**Vermejo Conservancy District**  
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June 30, 2018

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STATE OF NEW MEXICO  
Vermejo Conservancy District  
Official Roster  
June 30, 2018

**Official Roster**

**Board Members**

	<b><u>Position</u></b>
Karl Shubert	President
Robert Hronich	Vice President
Randy Casper	Secretary
Roger Kuchan	Member
Brian Hoy	Member

**Administrative Staff**

	<b><u>Position</u></b>
Joe Hronich	General Manager
Tammy Brandfas	Office Manager

# Charles L. Henry

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666 Cook Avenue  
Raton, New Mexico 87740  
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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

**Karl Shubert, President  
and Members of the Board  
Vermejo Conservancy District  
and  
Honorable Wayne Johnson  
New Mexico State Auditor**

I have performed the procedures enumerated below for the Vermejo Conservancy District (District), for the year ended June 30, 2018. The District was determined to be a Tier 4 entity under the Audit Act, Section 12-6-3 B (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:

**1. Verify the local public body's revenue calculation and tier determination documented on the form provided at [www.osanm.org](http://www.osanm.org) under "Tiered System Reporting Main Page."**

**OBSERVATIONS:**

Based on the review of the District's General Ledger, total revenues for the fiscal year ended June 30, 2018 were \$168,410. Based on this information the District properly determined to be a Tier 4 for the fiscal year 2018 since their revenues were between \$50,000 and \$250,000 and there was no capital outlay appropriations during the year.

**2. CASH**

**PROCEDURES:**

- a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.
- b) Test at least 30% of the bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Government Division.

### **PROCEDURES - Continued**

- c) Determine whether the local public body's financial institutions have provided it with 50% 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. Every bank statement and CD and reconciliation was provided and found to be complete and on-hand. All reconciliations were performed timely without exception.
- b) Every bank reconciliations was obtained and reviewed for accuracy. All cash receipts and cash disbursements were traced to General Ledger information. Monthly cash balances were matched to each bank reconciliation with no exception noted. Budgets as filed with DFA-LGD were reviewed and all revenue and expense information was tied to the General Ledger information.
- c) Bank account balances did not exceed the uninsured limits at the year ended June 30, 2018 and therefore, pledged pledged collateral was not required for financial institutions.

### **3. CAPITAL ASSETS**

#### **PROCEDURES:**

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

#### **OBSERVATIONS:**

The District did provided a inventory of movable chattels and equipment under their control costing more than five thousand dollars that met the requirements of Section 12-6-10 NMSA 1978.

### **4. REVENUE**

#### **PROCEDURES:**

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

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

*Select a sample of revenue equal to at least 30% of the total dollar amount and test the following attributes:*

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

## **PROCEDURES - Continued**

- c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on; cash basis, modified accrual basis, or accrual basis.

## **OBSERVATIONS:**

- a) The District provided General Ledger information that included all revenue and expenditures for the year ended June 30, 2018 and that was compared to the budget as provided to DFA-LGD. The minutes of the District reflected the approval of the budget by the board and information provided to DFA-LGD was reviewed. The final budget as adopted by the District was made part of the minutes as required by Section 6-6-5 NMSA 1978.
- b) 71 revenue transactions were selected to review for supporting documentation. The total amount of these transactions was \$76,765 representing 46% of the total revenue of \$168,410. Each transaction was tested for amount, proper classification, supporting documentation and traced to bank statements without exception.

## **5. EXPENDITURES**

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

### **PROCEDURES:**

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that the amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.
- b) Determine that the 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 13-1-199 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) A sample of 43 expenditure transactions was selected to test for adequate supporting documentation, was properly authorized, and approved in compliance with the budget. This sample represented 49% of all district expenditures excluding payroll. Canceled checks for all transactions tested were traced to bank documents and the general ledger postings. All entries tested were found to be compliant with the test objectives with no exception
- b) 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.

## **6. JOURNAL ENTRIES**

Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:

### **PROCEDURES:**

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

### **OBSERVATIONS:**

The District recorded a total of 5 adjusting journal entries and all were to void recorded checks. All voided checks were requested and verified. These entries were corrections and the District does not make any entries that alter or change balances as would be expected from standard Journal Entries.

## **7. BUDGET**

Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following test work:

### **PROCEDURES**

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

### **OBSERVATIONS:**

- a) The minutes, budget information and correspondence with DFA-LG was reviewed and reflected appropriate approvals as required.
- b) A review of the budget as well as the expenditures found that the actual expenditures did not exceed budgeted expenditures.



**8. OTHER**

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

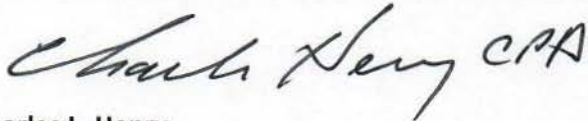
**OBSERVATIONS:**

No exceptions were found as a result of applying the procedures above indicating any fraud or illegal acts by the District.

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This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Tier 4 agreed upon procedures. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported upon.

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**  
**December 7, 2018**

**STATE OF NEW MEXICO**  
**Vermejo Conservancy District**  
**Statement of Revenues, Expenditures - Budget and**  
**Actual (Non-GAAP Budgetary Basis)**  
For the Year Ended June 30, 2018

	<b>Budget</b>	<b>Actual Cash Basis</b>	<b>Variance Favorable (Unfavorable)</b>
<b><u>Revenues</u></b>			
Class A	\$ 95,534	\$ 93,473	\$ (2,061)
Class B	23,883	18,968	(4,915)
Contracted Services	-	-	-
Water Charge	39,806	24,183	(15,623)
Pasture / Lake Lease	15,250	14,750	(500)
Interest	500	1,831	1,331
Rent	3,000	14,005	11,005
Misc. Income	63,790	1,078	(62,712)
Canal Assessment	127	121	(6)
Funds from Savings / Certificate of Deposits	8,000	-	(8,000)
Carry Over From Previous Year	36,000	-	(36,000)
	<b>285,890</b>	<b>168,410</b>	<b>(117,480)</b>
<b><u>Expenditures</u></b>			
Equip. Purchase / Lease	46,074	100	45,974
Equip. Repair / Supply	30,000	42,173	(12,173)
Loan Payment	-	-	-
Gas & Oil	15,000	11,695	3,305
Office Supply	2,500	1,468	1,032
Insurance	18,000	11,702	6,298
Misc Expense	35,716	34,687	1,029
Salaries / Payroll Tax	115,000	108,313	6,687
Accounting	12,000	12,311	(311)
Legal	5,000	259	4,741
Telephone	1,300	1,075	225
Travel Expense	1,500	268	1,232
Utilities	3,800	3,358	442
	<b>285,890</b>	<b>227,409</b>	<b>58,481</b>
Excess (Deficiency) of Revenues over Expenditures	<b>-</b>	<b>(58,999)</b>	<b>(175,961)</b>
Principal Payment on Association Loans	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Receipts over Disbursements	<b>-</b>	<b>(58,999)</b>	<b>(175,961)</b>
Cash balance beginning of Year		<b>314,514</b>	
Cash balance End of Year		<b>\$ 255,516</b>	

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

SUSANA MARTINEZ  
GOVERNOR



Rec'd  
06-19-17  
TS

DUFFY RODRIGUEZ  
CABINET SECRETARY

RICK LOPEZ  
DIRECTOR

MICHAEL MARIANO  
ACTING DEPUTY DIRECTOR

STATE OF NEW MEXICO  
DEPARTMENT OF FINANCE AND ADMINISTRATION  
LOCAL GOVERNMENT DIVISION  
Bataan Memorial Building ♦ 407 Galisteo St. ♦ Suite 202 ♦ Santa Fe, NM 87501  
PHONE (505) 827-4950 ♦ FAX (505) 827-4948

June 6, 2017

Mary Lou Kern  
President  
Vermejo Conservancy District  
P.O. Box 292  
Maxwell, NM 87728-0292

Dear Ms. Kern:

In accordance with Section 6-6-2(B) NMSA 1978, the Department of Finance and Administration, Local Government Division (LGD) has examined the proposed budget of your local government entity for Fiscal Year 2017-18 and hereby grants approval and certification for use. Sufficient resources appear to be available to cover proposed budgeted expenditures.

Approval and certification of your final budget is contingent upon submission of the following by no later than **July 31, 2017**:

- A resolution approved by the governing body adopting the Fiscal Year 2017-18 operating budget
- The June 30, 2017 (4<sup>th</sup>) quarter financial report
- A resolution by the governing body approving the June 30, 2017 (4<sup>th</sup>) quarter financial report
- Any adjustments/revisions discussed

Please note that final budget certification will be "conditional" per *Budget Certification of Local Public Bodies* rule, 2.2.3 NMAC, if a required audit for Fiscal Year 2015-16 has not been filed with the Office of the State Auditor.

If you have any questions regarding this matter, please call Manoj Shah of my staff at 505-827-8062.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Lopez".

Rick Lopez, Director  
Local Government Division

xc: file

**Vermejo Conservancy Revised District Budget 2017-2018**  
Final Budget 2017-2018

		2017-2018 Final
Revenues:	Class A	\$ 95,533.80
	Class B	\$ 23,883.45
	Water Charge	\$ 39,805.75
	Pasture/Lake Lease	\$ 15,250.00
	Interest	\$ 500.00
	Rent	\$ 3,000.00
	Misc. Income	\$ 63,789.87
	Canal Assessment	\$ 127.00
	Funds from Savings/CD	\$ 8,000.00
	Carry Over from Previous Year	\$ 36,000.00
	<b>Total Income</b>	<b>\$ 285,889.87</b>

Expenditures:	Equip. Purchase/Lease	\$ 46,073.97
	Equip. Repair/Supply	\$ 30,000.00
	Loan Payment	
	Gas & Oil	\$ 15,000.00
	Office Supply	\$ 2,500.00
	Insurance	\$ 18,000.00
	Misc. Expense	\$ 35,715.90
	Salaries/Payroll Tax	\$ 115,000.00
	Accounting	\$ 12,000.00
	Legal	\$ 5,000.00
	Telephone	\$ 1,300.00
	Travel Expense	\$ 1,500.00
	Utilities	\$ 3,800.00
	<b>Total Expenditures</b>	<b>\$ 285,889.87</b>

\$ 285,889.87	Total Expenditures
\$ 126,666.87	Minus Other Income
<hr/>	
\$ 159,223.00	Adjusted Expenditures
x 75%	
<hr/>	
\$ 119,417.25	Class A & B Revenue
x 80%	
<hr/>	
\$ 95,533.80	Total Class A Revenue
7389	Class A Shares
<hr/>	
\$ 12.93	Class A Assessment/ Share
\$ 119,417.25	Class A & B Revenue
x 20%	
<hr/>	
\$ 23,883.45	Class B Total Revenue
— 6455439	Current Year Total From PTD-13
<hr/>	
\$ 0.003699741	
X 1000	
<hr/>	
\$ 3.70	Mill Levy

\$ 159,223.00	Total Adjusted Expenditures
X 25%	
<hr/>	
\$ 39,805.75	Total Water Charge
1850	Est AF to be Delivered
<hr/>	
\$ 21.52	Water delivery Charge / AF
\$ 39,805.75	Total Water Charge
11083	Est AF to be Delivered (Max. Pro-Ration)
<hr/>	
\$ 3.59	Water Delivery Charge/ AF

**STATE OF NEW MEXICO**  
**Vermejo Conservancy District**  
**Schedule of Findings and Responses**  
June 30, 2018

**STATUS OF PRIOR YEAR FINDINGS**

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

2014-002 - Incomplete Capital Asset Inventory at Fiscal Year-End -- Resolved

**CURRENT YEAR FINDINGS:**

There were no current year findings.

**STATE OF NEW MEXICO**  
**Vermejo Conservancy District**  
**Exit Conference**  
June 30, 2018

**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 December 7, 2018 an exit conference was held in the offices of Vermejo Conservancy District . In attendance was Robert Hronich - Vice President , Randy Casper - Secretary , Joe Hronich - General Manager. Tammy Brandfas - Office Manager and Charles Henry CPA