

**STATE OF NEW MEXICO
RIO SAN JOSE FLOOD CONTROL DISTRICT**

**Independent Accountant's Report on
Applying Agreed-Upon Procedures (TIER 4)**

**For the Fiscal Year Ended
June 30, 2017**

ASSURANCE TAX ACCOUNTING PC

Financial Audits - Agreed Upon Procedures - Tax - Consulting

Office: (505) 620-8526 Fax: (866) 800-6970; PO Box 27213 Albuquerque, NM 87125; johnnymangu@msn.com

**STATE OF NEW MEXICO
RIO SAN JOSE FLOOD CONTROL DISTRICT**

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Fiscal Year Ended June 30, 2017

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**STATE OF NEW MEXICO
RIO SAN JOSE FLOOD CONTROL DISTRICT
OFFICIAL ROSTER
Fiscal Year Ending June 30, 2017**

Chairman	Larry Carver
Vice-Chairman	Collice Jones
Secretary-Treasurer	Dan Cunningham
Director	Mark Hiles
Director	Rex Robinson
Administrator	Cynthia Spidle
Management Consultant	J.R. Murrietta

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES (TIER 4)

Larry Carver, Chairman
Rio San Jose Flood Control District
and
Honorable Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

We have performed the procedures enumerated below which were agreed to by Rio San Jose Flood Control District and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the District's financial reporting relating to its compliance with Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC as of and for the year ended June 30, 2017. The District's management is responsible for its financial reporting as described above. This agreed-upon procedures engagement was conducted in accordance with AICPA Statements on Standards for Attestation Engagements (Clarified), AT-C Section 215 for agreed-upon procedures engagements. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we 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.

Our 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 under "Tier System Reporting Main Page."

We verified Rio San Jose Flood Control District revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tier System Reporting Main Page" and it was determined that the District falls under the Tier 4 procedures. General revenues were \$123,497. No capital outlay funds were expended during the year ended June 30, 2017.

2. Cash

- 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.

We determined that all bank reconciliations were not performed and that all bank statements were complete and on hand without exception. The bank reconciliations were not performed at all for FY 2017. See finding 2016-001.

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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.

We tested at least 30% of the bank reconciliations and we determined that all bank reconciliations were not performed. The bank reconciliations were not performed at all for FY 2017. The District submitted the quarterly financial reports to DFA-LGD. See finding 2016-001.

c) Determine 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.

We determined that all the bank accounts at no time exceeded the insured limits provided by the FDIC of \$250,000, except for the operating account which had a balance of \$713,679 at 06/30/2017 and \$623,852 at 12/31/2016 respectively. The District produced pledged collateral documentation provided by the financial institution as required by Section 6-10-17 NMSA 1978, NM Public Money Act.

3. Capital Assets

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

The District did not have any capital assets (movable chattels or equipment) that cost \$5,000 or more, no testing was performed in this area.

4. Revenue

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

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

We performed an analytical review of the revenue. We noted no exceptions.

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.

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We randomly selected a sample of 25 receipts (99% of total receipts) and we traced the amounts recorded in the supporting documentation including deposit books and to the bank statements. The district did not record transactions in a general ledger format, therefore we could not determine if the amount recorded matched the supporting documentation. See finding 2016-002.

- 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.

We randomly selected a sample of 25 receipts (99% of total receipts). The district did not record transactions in a general ledger format, therefore we could not determine the classification, amount, and proper period per review of supporting documentation. See finding 2016-002.

5. Expenditures

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

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date, and description agree to the vendor's invoice, purchase order, contract, and canceled check, as appropriate.

We selected a sample of cash disbursements equal to 100% of the total dollar amount and determined that the District had adequate documentation for disbursements. In the testwork we could not determine that the amount recorded as disbursed since the District did not record transactions in a software that tracks coding. The District had adequate supporting documentation and that the amount, payee, date and description agreed to the purchase order, contract, vendor's invoice and canceled check as appropriate. See finding 2016-002.

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

We determined that the disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. No exceptions were noted.

- 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

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Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Note: The sample must be representative of the population.

No major projects requiring bidding were started or completed during this accounting period. No exceptions were noted.

6. Journal Entries

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.

Because there were no manual journal entries created during FY 2017, no testing was performed in this area.

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.

Because there were no manual journal entries created during FY 2017, no testing was performed in this area.

7. Budget

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

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.

We verified through review of minutes the original budget approved by the District governing body and DFA-LGD. No exceptions were noted.

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.

We determined through comparing the Original/Final Budget to the Actual Expenditures that the District is in compliance with statutes by not over-expending at the fund level, which is the legal level of budgetary control.

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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.

See Attached Statement of Revenues and Expenses – Accrual Basis.

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)(3) NMAC.

No information came to our attention indicating any fraud or illegal acts. Instances of noncompliance and internal control deficiencies are disclosed in the findings of this report.

We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion on the Rio San Jose Flood Control District's financial reporting to the State Auditor as described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Rio San Jose Flood Control District, the New Mexico Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than those specified parties.

Assurance Tax Accounting P.C.

Assurance Tax Accounting P.C.
Albuquerque, New Mexico
December 14, 2017

STATE OF NEW MEXICO
Rio San Jose Flood Control District
GENERAL FUNDS
STATEMENT OF REVENUES AND EXPENSES
ACTUAL (Cash Basis)
For the year ended June 30, 2017

		Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenue					
	Cibola County Levy	\$ 70,000	70,000	85,362	15,362
	McKinley County Levy	25,000	25,000	36,771	11,771
	Interest, Other	2,000	2,000	1,363	(637)
	Total revenues	<u>97,000</u>	<u>97,000</u>	<u>123,497</u>	<u>26,497</u>
Expenditures Current:					
	Office-Salary, rent, etc	\$ 20,000	20,000	7,566	12,434
	Fees/Dues	3,000	3,000	662	2,338
	Professional Service, Audit	45,000	45,000	18,982	26,018
	Insurance, Bonds	2,000	2,000	988	1,012
	Elections	3,000	3,000	380	2,620
	Miscellaneous	4,000	4,000	-	4,000
	Total expenses	<u>77,000</u>	<u>77,000</u>	<u>28,577</u>	<u>48,423</u>

Rio San Jose Flood Control District
P.O. Box 405
Grants, NM 87020
Financial Report for the Fourth Quarter of Fiscal Year 2016-2017
July 1, 2016 to June 30, 2017
Fourth Qtr. Year End

Balance in Checking Account at Bank of New Mexico December 31, 2016 \$623,852.40

Income

Budget	Source	1 st . Qtr.	2 nd . Qtr.	3rd. Qtr.	4 th . Qtr.	Total
\$70,000.00	Cibola County Levy	\$3908.81	\$16,259.34	\$37,286.85	\$27,907.43	\$85,362.43
\$25,000.00	McKinley County Levy	\$ 335.61	\$ 2,020.77	\$18,601.74	\$15,812.94	\$36,771.06
\$ 2,000.00	Interest other	\$ 82.72	\$ 82.34	\$ 1,087.49	\$ 130.61	\$11,383.16
\$97,000.00		<u>\$4,327.14</u>	<u>\$18,362.46</u>	<u>\$56,976.08</u>	<u>\$43,850.98</u>	<u>\$123,516.65</u>

Expenses

\$20,000.00	Office – Salary, etc.	\$ 360.10	\$ 6,540.08	\$ 208.00	\$ 325.64	\$ 7,433.82
\$ 3,000.00	Fees/Dues	\$ 29.39	\$ 4.57	\$ 503.80	\$ 537.76	\$ 1,075.52
\$60,000.00	Pro Serv.	\$ 1,500.00	\$ 11,302.58	\$ 17,982.00	\$19,482.00	\$ 50,266.58
\$ 2,000.00	Ins. Bonds	-0-	-0-	\$ 112.22	-0-	\$ 112.22
\$ 3,000.00	Elections	\$ 379.67	-0-	-0-	-0-	\$ 379.67
\$ 4,000.00	Miscellaneous	-0-	-0-	-0-	-0-	-0-
\$60,000.00		<u>\$2,269.16</u>	<u>\$17847.23</u>	<u>\$18,806.02</u>	<u>\$20,345.54</u>	<u>\$59,267.81</u>
Capital Outlay & Projects		\$	\$	\$	<u>\$ 1,160.00</u>	<u>\$1,160.00</u>

\$400,000.00

(Approximately \$500,000.00 on reserve in checking account and certificates of deposits)

Balance in Bank of New Mexico Checking Account June 30, 2017 \$713,679.29

RIO SAN JOSE FLOOD CONTROL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2017

Prior Year Findings:

Finding 2016-001 – Bank Reconciliations	Repeated
Finding 2016-002 - Lack of Recording of Cash Receipts and Disbursements	Repeated

Current Year Findings

Finding 2016-001 – Bank Reconciliations
Finding 2016-002 - Lack of Recording of Cash Receipts and Disbursements

RIO SAN JOSE FLOOD CONTROL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Fiscal Year Ended June 30, 2017

Finding 2016-001 - Bank Reconciliations

Condition:

While applying the agreed upon procedures over bank reconciliations, it was noted that none of the bank reconciliations for FY 2017 were performed. Management did not make any progress towards implementing the prior year corrective action plan.

Criteria:

In accordance with Subsection H of 2.2.2.16 NMAC, all agreed upon procedures engagements should report as findings and fraud, illegal acts, noncompliance, or internal control deficiencies, consistent with Section 12-6-5 NMSA 1978 which states any violation of good accounting practices shall be set out in detail in a written report. Good accounting practices dictate that reconciliation of bank balances should be completed on a timely basis, to provide assurance that all transactions have been entered by the bank and recorded in the financial statements properly. If bank reconciliations are to serve as an effective control over the cash accounts, they must be prepared on a timely basis and all reconciling items should be investigated and resolved properly.

Cause:

The District was not aware that bank reconciliations must be performed monthly.

Effect:

Bank reconciliations that are not reconciled properly could lead to inaccurate interim financial reporting. In addition, errors and misappropriation of assets could be more difficult to detect if not identified in a timely manner.

Recommendation:

The District should establish a policy by which bank reconciliations are required to be performed and reviewed within 30 days of the statement end date.

Management's Response:

The District will begin performing the reconciliations on a timely basis effective immediately. The District President will ensure that the reconciliations are accurate and performed within 30 days of statement end date.

RIO SAN JOSE FLOOD CONTROL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Fiscal Year Ended June 30, 2017

Finding 2016-002 - Lack of Recording of Cash Receipts and Disbursements

Condition:

The District had inadequate recording for revenue and disbursements. The District was not using a software and did not track receipts and disbursements with coding and ability to determine if transactions were coded properly. Management did not make any progress towards implementing the prior year corrective action plan.

Criteria:

Proper internal controls require supporting documentation for all transactions that occur and coding those transactions in the financial statements appropriately.

Cause:

The District does not have a process for recording of receipts and disbursements for accurate financial statements preparation.

Effect:

Lack of coding for financial transactions can cause misstatements that may go undetected.

Recommendation:

The District should adopt a policy of recording for every deposit and disbursement, to help determine that deposits and disbursements recorded are complete, accurate and timely.

Management's Response:

The District's President will ensure effective immediately that every Board member receive a copy of the financial statements showing all transactions including all deposits and disbursements. Along with every deposit and disbursement going forward the District's President will ensure that there will be appropriate coding for the transactions.

RIO SAN JOSE FLOOD CONTROL DISTRICT
STATUS OF PRIOR YEAR FINDINGS
Fiscal Year Ended June 30, 2017

<u>Prior Year Number</u>	<u>Prior Year Finding</u>	<u>Current Status</u>
2016-001	Bank Reconciliations	Repeated
2016-002	Lack of Recording of Cash Receipts and Disbursements	Repeated

RIO SAN JOSE FLOOD CONTROL DISTRICT
EXIT CONFERENCE
Fiscal Year Ended June 30, 2017

The report contents were discussed at an exit conference held on December 14, 2017 with the following in attendance:

RIO SAN JOSE FLOOD CONTROL DISTRICT

Collice Jones Vice-Chairman

Assurance Tax Accounting PC

Johnny Mangu, MBA, CPA, CGFM, CGMA Principal