

**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, 2019**

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, 2019

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**STATE OF NEW MEXICO
RIO SAN JOSE FLOOD CONTROL DISTRICT
OFFICIAL ROSTER
Fiscal Year Ending June 30, 2019**

Chairman
Vice-Chairman
Secretary-Treasurer
Director
Director
Administrator
Professional Consultant

Larry Carver
Rex Robinson
Dan Cunningham
Carl Elkins
Jamie Holton
Collice Jones
J.R. Murrietta

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

Larry Carver, Chairman
Rio San Jose Flood Control District
and
Honorable Brian S. Colon
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, 2019. 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.

Procedure to be Performed:

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."

Results of Procedure 1:

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 \$141,157. No capital outlay funds were expended during the year ended June 30, 2019.

Procedure to be Performed:

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.

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Results of Procedure 2(a):

We determined that all bank reconciliations were performed. The bank reconciliations were performed in a timely manner. All bank statements and investment/savings statements were complete and on hand without exception. All monthly bank reconciliations for the operating account and the savings account were examined without exception.

Procedure to be Performed:

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.

Results of Procedure 2(b):

We selected four months for review: September, December, March, and June of 2019. We traced the ending balances to the general ledger for all bank statements reconciliations. We determined that the bank reconciliations were accurate. The District submitted the quarterly financial reports to DFA-LGD with incorrect values. We noted that the beginning balance per first quarterly report to DFA was \$756,523, when the balance should have been reported as \$787,610 according to the General Ledger, resulting in a variance of \$31,087 for first and all subsequent Quarterly DFA reports. We also noted that the balance per September 2018 bank statement was \$787,621, and reported to DFA as \$788,528, resulting in a variance of \$1,093. The expenditure per second quarterly financial report was \$4,556, and reported to DFA as \$3,198, resulting in a variance of \$1,358. The expenditure per third quarterly financial report was \$19,192, and reported to DFA as \$39,814, resulting in a variance of \$20,622. The expenditure per fourth quarterly financial report was \$185,526, and reported to DFA as \$39,814, resulting in a variance of \$1,471. See finding 2019-001.

Procedure to be Performed:

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.

Results of Procedure 2(c):

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 \$815,775 at 12/31/2018 and \$749,124 at 06/30/2019 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. We noted no exceptions.

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Procedure to be Performed:

3. Capital Assets

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

Results of Procedure 3:

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.

Procedure to be Performed:

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.

Results of Procedure 4(a):

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

Procedure to be Performed:

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.

Results of Procedure 4(b):

We randomly selected a sample of 10 receipts (93% of total receipts) and we traced the amounts recorded to the supporting documentation including deposit books and to the bank statements. We noted no exceptions.

Procedure to be Performed:

- 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.

Results of Procedure 4(b):

We randomly selected a sample of 10 receipts (93% of total receipts). We noted that one of 10 receipts, amounting to \$6,940 was miscoded in the General ledger, the item was a reimbursement for overpaid payroll, and the entity coded the deposit as Interest Income, resulting in overstatement of income on the General Ledger. See finding 2019-002.

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Procedure to be Performed:

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.

Results of Procedure 5(a):

We selected a sample of cash disbursements equal to 56% of the total dollar amount and determined that the District had adequate documentation for disbursements. The District had adequate supporting documentation where the amount, payee, date and description agreed to the purchase order, contract, vendor's invoice and canceled check as appropriate. No exceptions were noted.

Procedure to be Performed:

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

Results of Procedure 5(b):

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.

Procedure to be Performed:

- 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).

Note: The sample must be representative of the population.

Results of Procedure 5(c):

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

Procedure to be Performed:

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.

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Results of Procedure 6(a):

Because there were no manual journal entries created during FY 2019, no testing was performed in this area.

Procedure to be Performed:

- 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.

Results of Procedure 6(b):

Because there were no manual journal entries created during FY 2019, no testing was performed in this area.

Procedure to be Performed:

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.

Results of Procedure 7(a):

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

Procedure to be Performed:

- 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.

Results of Procedure 7(b):

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.

Procedure to be Performed:

- 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.

Results of Procedure 7(b):

See Attached Statement of Revenues and Expenses – Accrual Basis.

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Procedure to be Performed:

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.

Results of Procedure 8:

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 or conclusion. 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

October 18, 2019

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, 2019

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenue				
Cibola County Levy	\$ 70,000	\$ 70,000	\$ 96,505	\$ 26,505
McKinley County Levy	25,000	25,000	43,739	18,739
Interest, Other(Loan Installment)	3,000	3,000	913	(2,087)
Total revenues	\$ 98,000	\$ 98,000	\$ 141,157	\$ 43,157
Expenditures Current:				
Office, Salary, rent, etc.	\$ 20,000	\$ 20,000	\$ 8,814	\$ 11,186
Fees/Dues	3,000	3,000	1,146	1,854
Professional Service, Audit	15,000	15,000	10,270	4,730
Insurance, Bonds	2,000	2,000	988	1,012
Elections	2,000	2,000		2,000
Miscellaneous	4,000	4,000	1,524	2,476
Total expenses	\$ 46,000	\$ 46,000	\$ 22,742	\$ 23,258
Capital Projects:	\$ 300,000	\$ 300,000	\$ 156,981	\$ 143,019

DEPARTMENT OF FINANCE AND ADMINISTRATION
 OFFICE OF THE COMPTROLLER
 BUDGET AND FINANCE BUREAU

SPECIAL DISTRICT FINANCIAL QUARTERLY REPORT FORM

SUBMIT TO LOCAL DFA GOVERNMENT DIVISION NOT LATER THAN ONE MONTH AFTER THE CLOSE OF EACH QUARTER. I HEREBY CERTIFY THAT THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE

Collette A. Jones
 (Signature line)

Special District: Rio San Jose Flood Control District
 Quarter Ending: 7/31/19 4th qtr updated
 Prepared by: Collette A. Jones

QUARTERLY YEAR-TO-DATE TRANSACTIONS PER BOOKS (i.e. QTR REPORT COMBINES ALL 4 QUARTERS)													
FUND TITLE	FUND NUMBER	UNAUDITED BEGINNING CASH BALANCE On 7/1/2017	INVESTMENTS	REVENUES TO DATE 7/1/17 - 6/30/18	NET TRANSFERS	EXPENDITURES TO DATE 7/1/17 - 6/30/18	BOOK BALANCE END OF PERIOD OF PERIOD 6/30/2018	ADD: OUTSTANDING CHECKS	LESS: DEPOSITS IN TRANSIT	ADJUSTMENTS	ADJUSTED BALANCE END OF PERIOD	BALANCE PER BANK STATEMENTS	DIFFERENCE
GENERAL FUND - Operating (GF)	101	756,523	-	141,165	-	185,526	712,163	-	-	-	712,163	709,124	(3,039)
INTERGOVERNMENTAL GRANTS	218	-	-	-	-	-	-	-	-	-	-	-	-
OTHER	299	-	-	-	-	-	-	-	-	-	-	-	-
DEBT SERVICE	400	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total		\$ 756,523	\$ -	\$ 141,165	\$ -	\$ 185,526	\$ 712,163	\$ -	\$ -	\$ -	\$ 712,163	\$ 709,124	\$ (3,039)

Enter on Revenue Detail Tab

Enter on Exp. Detail Tab

Balances Must Agree i.e. Adjusted = Bank. Difference Must be 0

RIO SAN JOSE FLOOD CONTROL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2019

Prior Year Findings:

Finding 2018-001 – Late Agreed-Upon Procedures Report and IPA Recommendation	Resolved
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Current Year Findings

Finding 2019-001 – The District submitted the quarterly financial reports to DFA-LGD with incorrect values and did not match the DFA report	Findings that do not rise to the level of significant deficiency
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Finding 2019-002 – Incorrectly coding deposits	Other Non-Compliance
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RIO SAN JOSE FLOOD CONTROL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Fiscal Year Ended June 30, 2019

Finding 2019-001 - The District submitted the quarterly financial reports to DFA-LGD with incorrect values. (Findings that do not rise to the level of significant deficiency).

Condition:

The District submitted the quarterly financial reports to DFA-LGD with incorrect values. We noted that the beginning balance per first quarterly report to DFA was \$756,523, when the balance should have been reported as \$787,610 according to the General Ledger, resulting in a variance of \$31,087 for first and all subsequent Quarterly DFA reports. We also noted that the balance per September 2018 bank statement was \$787,621, and reported to DFA as \$788,528, resulting in a variance of \$1,093. The expenditure per second quarterly financial report was \$4,556, and reported to DFA as \$3,198, resulting in a variance of \$1,358. The expenditure per third quarterly financial report was \$19,192, and reported to DFA as \$39,814, resulting in a variance of \$20,622. The expenditure per fourth quarterly financial report was \$185,526, and reported to DFA as \$39,814, resulting in a variance of \$1,471.

Criteria:

In accordance with Subsection I 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. Ideally all bank accounts should be reconciled prior to the close of the bank statement for the following month.

Cause:

The District submitted the quarterly financial reports to DFA-LGD with incorrect values

Effect:

The District was not in compliance with the State Audit Rule, which could impact their ability to receive grants from federal and state sources. Inaccurate interim financial reporting is a result of submission of incorrect information to DFA and District board. In addition, errors and misappropriation of assets could be more difficult to detect if not identified in a timely manner or if historical bank reconciliations do not tie to the current records.

Recommendation:

The District should also institute policies and procedures that will enable the board to review before submission and submit quarterly reports to DFA-LGD accurately and timely.

Management's Response:

The District Chairman and Board will create a policy to review before submission and submit quarterly reports to DFA-LGD accurately and timely. The Chairman is responsible for meeting the deadline as required.

RIO SAN JOSE FLOOD CONTROL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Fiscal Year Ended June 30, 2019

Finding 2019-002 - Incorrectly coding deposit (Other Non-Compliance)

Condition:

We noted that one of 10 receipts, amounting to \$6,940 was miscoded in the General ledger, the item was a reimbursement for overpaid payroll, and the entity coded the deposit as Interest Income, resulting in overstatement of income on the General Ledger.

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 payroll tax forms should be calculated and paid accurately and timely.

Cause:

The District used incorrect coding for 1 deposit.

Effect:

Incorrectly coding deposit can result in overstatement of income.

Recommendation:

The District should adopt a policy of calculating accurately and timely, and to use correct coding for disbursements and income.

Management's Response:

The District's Chairman 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 disbursement and income going forward the District's Office Administrator will ensure that there will be supporting documentation for the transactions and using correct coding for disbursements and income.

RIO SAN JOSE FLOOD CONTROL DISTRICT
EXIT CONFERENCE
Fiscal Year Ended June 30, 2019

The report contents were discussed at an exit conference held on September 16, 2019 with the following in attendance:

RIO SAN JOSE FLOOD CONTROL DISTRICT

Collice Jones Administrator

Assurance Tax Accounting PC

Johnny Mangu, MBA, CPA, CGFM, CGMA Principal