

**STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT**

**Independent Accountant's Report on
Applying Agreed-Upon Procedures (TIER 6)
And
Compilation Report of Independent Accountant And
Compiled Financial Statements**

**For the Fiscal Year Ended
June 30, 2016**

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
VALENCIA SOIL AND WATER CONSERVATION DISTRICT**

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Fiscal Year Ended June 30, 2016

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**STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT
OFFICIAL ROSTER
Fiscal Year Ending June 30, 2016**

Chairman	Abel M. Camarena
Vice-Chair	Teresa Smith de Cherif
Treasurer	Andrew Hautzinger
Supervisor	Joseph Moya
Supervisor	Jeff Goebel
Supervisor	Jim Lane
Supervisor	Richard Bonine
District Manager	Madeline Miller
Administrative Assistant	Jasmine Martinez
Whitfield Project Manager	Ted Hodoba
USDA – NRCS	Pearl Armijo

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES (TIER 6)

Abel Camarena, Chairman
Valencia Soil and Water Conservation District
and
Honorable Timothy M. Keller
New Mexico State Auditor
Santa Fe, New Mexico

We have performed the procedures enumerated below which were agreed to by State of New Mexico Valencia Soil and Water Conservation District (District) and the New Mexico State Auditor (the specified parties), solely to assist users in determining compliance with the provisions of the Audit Act for a Tier 6 entity per Section 12-6-3 B NMSA 1978, Section 2.2.2.16 NMAC as of and for the year ended June 30, 2016. The District's management is responsible for its accounting records and financial reporting. 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, 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 "Tiered System Reporting Main Page."

We verified Valencia Soil and Water Conservation District's 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 Valencia Soil and Water Conservation District falls under the Tier 6 procedures. General revenues were \$347,693 and no capital projects were started or completed.

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.

While applying the agreed upon procedures over timeliness of cash reconciliations, it was noted that the bank reconciliation for November 2015 Wells Fargo Bank was performed 45 days after the statement date. All bank statements and investment/savings statements were complete and on hand without exception. All monthly bank reconciliations for the operating account were examined without exception. See finding 2016-001.

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- 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 DFA-Local Government Division.

We performed a test of bank reconciliations for accuracy and traced the ending balances to the general ledger and the financial reports submitted to DFA-LGD for all bank statements and savings accounts reconciliations. We noted no exceptions.

- 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.

The District had an uninsured bank balance of \$41,325 at June 30, 2016. See finding 2016-002.

3. Capital Assets

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

We inquired as to whether or not Valencia Soil and Water Conservation District is performing a yearly inventory as required by section 12-6-10 NMSA 1978. The Administrative Assistant is responsible for the inventory items related to the Valencia Soil and Water Conservation District. The documentation for inventory starts with the receiving order. Items that are logged in the inventory spreadsheet are tagged and recorded in the asset management spreadsheet by the Administrative Assistant. Inventory items are monitored by a schedule of regular counts and checkups to keep a close record of fluctuating inventory. The District performed the annual inventory as required and it was reviewed and signed approved by the Treasurer. We noted no exceptions.

4. Debt

If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements.

The district does not have any debt. No procedures were performed in this area.

5. 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.

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We performed an analytical review of each type of revenue and compared each type of revenue to the budget. We noted no exceptions.

Select a sample of revenues based on auditor judgment and test using the following attributes:

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

We randomly selected a sample of 25 receipts and we traced the amounts recorded in the supporting documentation including deposit books to the general ledger and to the bank statements. We noted no exceptions.

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 and we traced the amounts recorded in the general ledger and comparing to the supporting documentation for proper coding and distribution. No exceptions were noted.

6. Expenditures

Select a sample of cash disbursements based on auditor judgment and test using 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 randomly selected a sample of 25 disbursements and determined that the amount recorded as disbursed agrees to 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. All amounts agreed and we noted no exceptions.

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.

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- 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.

No major projects requiring bidding were started or completed during this accounting period. Because the District was not using the appropriate mileage reimbursement rate, it resulted in six overpayments of \$1.94, \$13.50, \$6.46, \$24.66, \$4.25, and \$2.05 for the items tested. See finding 2016-003.

7. 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.

We selected all four journal entries entered during FY 2016 for testing. All journal entries appear reasonable based on the memorandum explanation for each entry.

- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

The District provided written supporting documentation to show that the journal entries are being reviewed and approved for the four journal entries selected.

8. Budget

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 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.

- b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.

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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.

- 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.

We prepared a schedule of revenues and expenditures budget and actual, on the cash basis of accounting for the governmental fund. See the attached schedule as noted in the table of contents.

9. Capital Outlay Appropriations*

Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year. Test all capital outlay expenditures during the fiscal year to:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b) Determine that the cash disbursements were properly authorized and approved in accordance 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 and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.
- f) If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.
- h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.

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- i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

Note – Capital Outlay appropriations procedures are only performed when capital outlay appropriation money has been expended during the fiscal year. Valencia Soil and Water Conservation District did not expend any capital outlay appropriation in the current fiscal year. Therefore, no testwork was performed in this area.

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 the required content per Section 2.2.2.10(l)(3)(C) NMAC

The District used an account called Health Insurance Employee as an expense account and miscoded transactions that were expected to be coded to an account called Health Insurance Employee as a liability account. This miscoding resulted in overstating Health Insurance expense by \$48.19 for FY 2016. The District is processing payroll Child Support Deduction from gross pay. New Mexico allows for a maximum withholding of support at 50% of the employee's disposable weekly earnings. Disposable means the net income left after making mandatory deductions such as State, Federal or local taxes, Social Security taxes, and Medicare taxes. Gross Payroll was underreported for FY 2016 by the amount of Child Support deducted of \$2,612.34. NM Withholding was not reported or paid timely for the months of January through June 2016 for all employee of the District. A payment on 08/02/2016 was made to catchup the reporting and paying NM State payroll tax. See finding 2016-004.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the District's accounting records and financial reporting. 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 board of supervisors and management of the Valencia Soil and Water Conservation District, the New Mexico Office of the State Auditor, the New Mexico Department of Finance and Administration – Local Government Division, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than those specified parties.

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Assurance Tax Accounting P.C.

Assurance Tax Accounting P.C.

Albuquerque, New Mexico

December 8, 2016

STATE OF NEW MEXICO
 VALENCIA SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF REVENUES AND EXPENSES
 BUDGET AND ACTUAL (Cash Basis)
 For the year ended June 30, 2016

	Budgeted Amount		Actual Cash Basis	Variances
	Original	Final		Favorable (Unfavorable)
Revenue				
NMDA State Allotment	\$ 14,741	\$ 14,741	\$ 14,674	\$ (67)
Rental Income Rio Abajo	24,000	-	-	-
Property Tax Revenues	310,825	310,825	332,074	21,249
Miscellaneous	2,000	2,000	378	(1,622)
Grant Income	2,500	-	-	-
Investment Income	750	750	567	(183)
	<u>354,816</u>	<u>328,316</u>	<u>347,693</u>	<u>19,377</u>
Expenses				
Personnel services	174,577	201,179	182,831	18,348
Travel & per diem	7,200	5,200	4,589	611
Grant Direct costs	39,500	49,500	32,672	16,828
Supplies	10,200	10,200	14,747	(4,547)
Operating	80,394	80,394	23,661	
Education	2,000	2,000	14,995	(12,995)
Dues & board fees	2,400	2,400	1,889	511
Postage	480	480	465	15
Utilities	6,350	6,350	7,525	(1,175)
Insurance	6,700	6,700	5,341	1,359
	<u>329,801</u>	<u>364,403</u>	<u>288,715</u>	<u>18,955</u>
Revenues over (under) expenses	\$ <u>25,015</u>	\$ <u>(36,087)</u>	\$ <u>58,978</u>	\$ <u>38,332</u>

*See END TYPED
Submit*

Blue / Red Cells in Workbook are Data Entry Cells

SUBJECT TO LOCAL GOVERNMENT DIVISION NOT LATER THAN ONE MONTH AFTER THE CLOSE OF EACH QUARTER. THE LOCAL GOVERNMENT DIVISION SHALL REPORT THERE AND CORRECT TO THE BEST OF ANY KNOWLEDGE.

DEPARTMENT OF FINANCE AND ADMINISTRATION
LOCAL GOVERNMENT DIVISION
SPECIAL DISTRICT FINANCIAL QUARTERLY REPORT FORM

Special District: VAL ENCIA SOIL AND WATER CONSERVATION DISTRICT
Quarter Ending: MADDELINE MILLER
Prepared by:

By: Madeline Miller
(signature line)

QUARTERLY YEAR TO DATE TRANSACTIONS PER BOOKS

FUND TITLE	FUND NUMBER	UNAUDITED BEGINNING CASH BALANCE (or JAN. 1)	INVESTMENTS	REVENUES TO DATE	NET TRANSFERS	EXPENDITURES TO DATE	BOOK BALANCE END OF PERIOD	ADD: OUTSTANDING CHECKS	LESS: DEPOSITS IN TRANSIT	ADJUSTMENTS	ADJUSTED BALANCE END OF PERIOD	BALANCE PER BANK STATEMENTS	DIFFERENCE
GENERAL FUND - Operating (GF)	101	218,118	342,294	347,277	(15,034)	277,761	618,914	5,660	-	-	624,574	623,297	1,277
INTERGOVERNMENTAL GRANTS	218	-	-	-	10,000	10,000	-	-	-	-	-	-	-
OTHER	299	-	-	395	4,300	4,300	-	-	-	-	-	395	155
DEBT SERVICE	400	312	-	-	604	604	907	-	-	-	907	792	115
Grand Total		218,450	342,294	347,872	0	288,796	619,821	5,660	-	-	625,481	624,151	1,330

SPECIAL DISTRICT: ALENCIA SOIL AND WATER CONSERVATION DISTRICT
 QUARTER ENDING: 6/30/16

REVENUES	CURRENT QUARTER	YEAR TO DATE	APPROVED BUDGET
General Fund 101 (enter items below)			
NMDA STATE ALLOTMENT	-	14,675	14,741
RENTAL INCOME RIO ABAJO	-	-	-
PROPERTY TAX REVENUES	121,965	332,074	310,825
MISCELLANEOUS	213	528	2,000
GRANT INCOME	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
Subtotal General Fund Revenues	\$ 122,178	\$ 347,277	\$ 327,566
Other Financing Sources: Transfers In	-	-	-
Transfers Out	1,184	15,034	-
Total Transfers	\$ (1,184)	\$ (15,034)	\$ -
TOTAL GENERAL FUND REVENUES	\$ 120,994	\$ 332,243	\$ 327,566
Intergovernmental Grants 218 (enter items below)			
Federal Grant	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
Subtotal Intergovernmental Grants Revenues	\$ -	\$ -	\$ -
Other Financing Sources: Transfers In	-	10,000	-
Transfers Out	-	-	-
Total Transfers	\$ -	\$ 10,000	\$ -
TOTAL INTERGOV. GRANT REVENUES	\$ -	\$ 10,000	\$ -
Other 299 (enter items below)			
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
Subtotal Other 299 Revenues	\$ -	\$ -	\$ -
Other Financing Sources: Transfers In	490	4,340	-
Transfers Out	-	-	-
Total Transfers	\$ 490	\$ 4,340	\$ -
TOTAL OTHER REVENUES	\$ 490	\$ 4,340	\$ -
Debt Service 400			
General Obligation Bonds			
General Obligation - (Property tax)	-	-	-
Investment Income	-	-	-
Other - Misc	-	-	-
Revenue Bonds			
Bond Proceeds	-	-	-
Revenue Bonds - GRT	-	-	-
Investment Income	157	595	750
Revenue Bonds - Other	-	-	-
Miscellaneous(NMFA, BOF, etc.)	-	-	-
	-	-	-
	-	-	-
Subtotal Debt Service Fund Revenues	\$ 157	\$ 595	\$ 750
Other Financing Sources: Transfers In	694	694	-
Transfers Out	-	-	-
Total Transfers	\$ 694	\$ 694	\$ -
TOTAL DEBT SERVICE REVENUES	\$ 851	\$ 1,289	\$ 750
GRAND TOTAL REVENUES	\$ 122,336	\$ 347,872	\$ 328,316

SPECIAL DISTRICT: AND WATER CONSERVATION DISTRICT
QUARTER ENDING: 6/30/16

EXPENDITURES	CURRENT QUARTER	YEAR TO DATE	APPROVED BUDGET
General Fund 101 (enter items below)			
500- PERSONNEL SERVICES	42,010.99	182,875	200,179
520-MILEAGE & PER DIEM	643	4,110	5,200
530-FEES & SERVICES	3,983	22,727	30,000
540-OFFICE EXPENSE	4,220	8,638	6,000
550-BUILDING EXPENSE	3,079	16,576	12,600
560-SUPPLIES	220	2,031	4,200
570- ELECTION EXPENSE	-	-	-
580-EDUCATION EXPENSE	2,440	3,615	2,500
600-ADVERTISING & PUBLIC RELATIONS	20	680	1,000
620-DUES & BOARD FEES	286	1,927	2,400
630-FIELD SUPPLIES	827	4,078	3,000
640-POSTAGE EXPENSE	71	465	480
660-BRUSH CONTROL EXPENSE	2,809	5,141	4,000
670-CONTRACTUAL SERVICES	1,352	2,252	-
680-ALL UTILILTIES	1,849	7,525	6,350
710-MISCELLANEOUS	-	810	800
800-INSURANCE	-	1,000	1,000
ANNUAL AUDIT	-	3,328	5,000
ACCOUNTANT	1,170	5,283	5,000
TRAINING & WORKSHOPS	-	700	2,000
COST SHARING RESERVE	-	-	23,600
10% RESERVE (next Fiscal Year)	-	-	32,700
TOTAL GENERAL FUND EXPENDITURES	\$ 64,979	\$ 273,761	\$ 348,009
Intergovernmental Grants 218 (enter items below)			
University Grant - Bosque Ecosystem Monitoring Program (BEMP)	10,000	10,000	10,000
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
TOTAL INTERGOV. GRANT EXPENDITURES	\$ 10,000	\$ 10,000	\$ 10,000
Other 299 (enter items below)			
ALL OTHER INSURANCE	490	4,340	5,700
WATER TRUST BOARD Loan (C-P SWCD Fiscal Agent)	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
TOTAL OTHER EXPENDITURES	\$ 490	\$ 4,340	\$ 5,700
Debt Service 400			
Bond Payments Principal	-	-	-
Bond Payments- Interest	-	-	-
Other Debt Service - Water Trust Board loan (10 year)	694	694	694
TOTAL DEBT SERVICE EXPENDITURES	\$ 694	\$ 694	\$ 694
GRAND TOTAL EXPENDITURES	\$ 76,164	\$ 288,796	\$ 364,403

Special District:
VALENCIA SOIL AND WATER CONSERVATION DISTRI

QUARTER ENDING: 06/30/16

BUDGETED TRANSFERS * OTHER FINANCING SOURCES/ USES	Current Quarter	Year to Date
Transfers In Fund 101 (e.g. 500)	-	
Transfers In Fund 218	-	10,000
Transfers In Fund 299	490	4,340
Transfers In Fund 400	694	694
A SUB-TOTAL	1,184	15,034
Transfers Out Fund 101 (e.g. 500)	1,184	15,034
Transfers Out Fund 218	-	-
Transfers Out Fund 299	-	-
Transfers Out Fund 400	-	-
B SUB-TOTAL	1,184	15,034
A - B Total Net Transfers	\$ -	\$ 0

Note: The A-B Total Net Transfers must always equal zero.(0).
 * Transfers in the budget occur when money arrives in one account and is transferred to another for a specific use. Board must approve by resolution. Local Government also approves if moving from or to the General Fund.

A fund is a group (or umbrella), of self balancing accounts

STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2016

Prior Year Findings:

Finding 2015-001 – Review and approval of journal entries and supporting documentation.	Resolved
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Current Year Finding:

Finding 2016-001 – Bank Reconciliations

Finding 2016-002 – Lack of Pledged Collateral for Uninsured Bank Balances
(Other Noncompliance)

Finding 2016-003 - Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC)

Finding 2016-004 – Incorrect calculation of payroll and payroll related items

STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED JUNE 30, 2016

Finding 2016-001 - Bank Reconciliations

Condition:

While applying the agreed upon procedures over timeliness of cash reconciliations, it was noted that the bank reconciliation for November 2015 Wells Fargo Bank was performed 45 days after the statement date.

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 was not aware of the requirement to reconcile the bank accounts within 30 days after the statement end date. Because of the length of time between the transaction and reconciliation, accurate documentation could not be located.

Effect:

Bank reconciliations that are not reconciled on a timely basis 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 within thirty days of the statement end date for all bank accounts.

Management's Response:

The District will begin reconciling the bank statements on a timely basis effective immediately. The District Manager will ensure that these reconciliations are being performed within thirty days after the statement end date.

STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED JUNE 30, 2016

Finding 2016-002. Lack of Pledged Collateral for Uninsured Bank Balances (Other Noncompliance)

Condition:

The District had an uninsured bank balance of \$41,325 at June 30, 2016.

Criteria:

Section 6-10-17 NMSA 1978 requires banks to pledge collateral equal to 50% of uninsured government bank balances. The Federal Deposit Insurance Corporation insured bank balances for \$100,000 until October 3, 2008, when it was raised to \$250,000.

Cause:

The District and its financial institution were unaware of statutory requirements related to uninsured bank balances.

Effect:

The District was exposed to increased risk as a result of deposits exceeding insured amounts.

Recommendation:

We recommend the District become knowledgeable about state law regarding public monies and adopt a banking policy as part of its overall risk management policies. The policy should include a requirement that financial institutions pledge collateral equal to at least 50% of any uninsured deposits.

Management's Response:

The District has processed an agreement with the bank for pledged collateral on the District's General Fund to insure funds over \$250,000. Additionally the District intends to change management of these funds in FY 2017. The District Manager is responsible for meeting the deadline as required.

STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED JUNE 30, 2016

Finding 2016-003 - Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Condition:

The District used the IRS mileage reimbursement rate to reimburse employee use of personal vehicles for the benefit of the District.

Criteria:

Per the Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC) the District should be using the rates provided by DFA. "Unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA 1978, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle." Because the District was not using the appropriate mileage reimbursement rate, it resulted in six overpayments of \$1.94, \$13.50, \$6.46, \$24.66, \$4.25, and \$2.05 for the items tested.

Cause:

The District was not aware of the appropriate mileage reimbursement rate to be used.

Effect:

Because the District is not compliant with the Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC), fraud waste and abuse could take place without being detected, affecting the entity adversely in the eye of the stakeholders.

Recommendation:

The District should begin using the DFA published mileage rates along with strengthening the review and approval process.

Management's Response:

The District will begin using the DFA published mileage reimbursement rates effective immediately, and the District Manager will provide the supporting documentation of mileage reimbursements to the board for a quality review and approval before the payments are made. The District Manager is responsible for meeting the deadline as required.

STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED JUNE 30, 2016

Finding 2016-004 - Incorrect calculation of payroll and payroll related items.

Condition:

The District used an account called Health Insurance Employee as an expense account and miscoded transactions that were expected to be coded to an account called Health Insurance Employee as a liability account. This miscoding resulted in overstating Health Insurance expense by \$48.19 for FY 2016. The District is processing payroll Child Support Deduction from gross pay. New Mexico allows for a maximum withholding of support at 50% of the employee's disposable weekly earnings. Disposable means the net income left after making mandatory deductions such as State, Federal or local taxes, Social Security taxes, and Medicare taxes. Gross Payroll was underreported for FY 2016 by the amount of Child Support deducted of \$2,612.34. NM Withholding was not reported or paid timely for the months of January through June 2016 for all employee of the District. A payment on 08/02/2016 was made to catchup the reporting and paying NM State payroll tax.

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.

Cause:

The District was not aware of the mistakes made in recording and processing of transactions.

Effect:

Because the District is not recording transactions accurately, inaccurate financial statements could result in the Governing Board making incorrect decisions for the entity, and fraud waste and abuse could take place without being detected, affecting the entity adversely in the eye of the stakeholders.

Recommendation:

The District should make the corrections necessary to the Financial Statements, along with strengthening the review and approval process.

Management's Response:

The District will begin making the corrections necessary to the Financial Statements, and the District Manager will provide the supporting documentation to the board for a quality review and approval. The District Manager is responsible for meeting the deadline as required.

**STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT**

**Compilation Report of Independent Accountant
And Compiled Financial Statements**

**For the Fiscal Year Ended
June 30, 2016**

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

ASSURANCE TAX ACCOUNTING PC

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

Compilation Report of Independent Public Accountant

Abel Camarena, Chairman
Valencia Soil and Water Conservation District
and
Honorable Timothy M. Keller
New Mexico State Auditor
Santa Fe, New Mexico

Management is responsible for the accompanying financial statements of the business-type activities of State of New Mexico Valencia Soil and Water Conservation District (District), which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses and changes in net position for the year then ended, and the related notes to the financial statements included in the accompanying prescribed form. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements included in the accompanying prescribed form nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements included in the accompanying prescribed form.

The financial statements included in the accompanying prescribed form are presented in accordance with the requirement of Section 12-6-3(B) NMSA 1978 and Section 2.2.2.16 NMAC, and are not intended to be a complete presentation of the District's assets and liabilities.

This report is intended solely for the information and use of the Valencia Soil and Water Conservation District, New Mexico Office of the State Auditor, the New Mexico Legislature, and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.

Management has elected to omit the statement of cash flows, government-wide financial statements, and notes related to the government-wide financial statements required by accounting principles generally accepted in the United States of America. If the omitted statement of cash flows, government-wide financial statements, and related note disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position, respective changes in financial position, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Assurance Tax Accounting P.C.

Assurance Tax Accounting P.C.
Albuquerque, New Mexico
December 8, 2016

**STATE OF NEW MEXICO
 VALENCIA SOIL AND WATER CONSERVATION DISTRICT
 BALANCE SHEET
 June 30, 2016**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 623,586
Accounts Receivable	<u>13,424</u>
Total assets	\$ <u>637,010</u>
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Payroll liabilities	\$ 3,215
Deferred Revenue	363
Claunch Pinto SWCD WTB	<u>3,472</u>
Total liabilities	<u>7,050</u>
 FUND BALANCES	
Restricted, special revenues	214,076
Unassigned	<u>415,884</u>
Total fund balances	<u>629,960</u>
Total liabilities and fund balances	\$ <u>637,010</u>

See independent accountant's compilation report and accompanying notes.

**STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCE
Year Ended June 30, 2016**

	<u>General Fund</u>
Revenues	
Mill Levy - Valencia	\$ 331,544
Mill Levy - Socorro	530
NMDA Allotment	14,674
Donations	211
Book Sales	54
Interest Income	567
Whitfield Sales	85
Scholarship Fund	28
Total Revenues	<u>347,693</u>
Expenses	
Personnel Services	182,831
Travel & Per diem	4,590
Fees and Services	28,010
Supplies	14,747
Repairs	16,576
Operating	6,390
Education	14,315
Advertising and Public Relations	680
Dues and Board fees	1,889
Postage	465
Brush Control	4,662
Utilities	7,525
Insurance	5,340
Debt Service	695
Total Expenses	<u>288,715</u>
Net change in fund balances	58,978
Fund balance, beginning of year	<u>570,073</u>
Fund balance, end of year	<u>\$ 629,051</u>

See independent accountant's compilation report and accompanying notes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity. The Valencia Soil and Water Conservation District (District) was formed on May 1, 1947, and is a unit of New Mexico Government being a political subdivision of the State. The District operates under the Soil and Water Conservation District law of the 27th legislature of New Mexico and was revised by the Soil and Water Resources Act of 1978. The District encompasses 1,438,000 acres, including all of Valencia County, a small portion of northern Socorro County, Isleta Pueblo, and Laguna Pueblo. Under New Mexico law, the District is responsible for the conservation and sustainability of natural resources such as agriculture, soils, water, plants, and animals. The District is overseen by a seven-member volunteer Board of Supervisors (five elected, two appointed) who provide leadership and management expertise.

The financial statements of the District have been prepared by Assurance Tax Accounting in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The responsibility of these financial statements remains with the District.

A. Financial Reporting Entity

As required by GAAP, financial statements are presented for the District and its component units. A legally separate organization that does not qualify as a primary government is a potential component unit. The normal criterion for deciding whether a potential component unit is, in fact, a component unit is financial accountability. Financial accountability is determined by analyzing fiscal dependency, board appointments, financial benefit or burden relationships, or the ability of the primary government to impose its will on the potential component unit. Based on these criteria, the District has no component units.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are recorded.

Governmental financial statements are normally reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenses generally are recorded when a liability is incurred, as under accrual accounting. However, expenses related to compensated absences and claims and judgments are recorded only when payment is made.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

The District follows the following revenue recognition principles applied to non-exchange transactions which are in accordance with GASB Statement 33, Accounting and Reporting for Non-exchange Transactions:

Derived tax revenues are recognized as revenue in the period when the underlying exchange transaction has occurred and the resources are available.

Imposed non-exchange revenues – property taxes are levied and collected by the Valencia County treasurer on behalf of the District. The taxes are levied in November and payable in two installments, December 10th and May 10th. The County remits to the District a percentage of the collections made during the month. Taxes are considered delinquent and subject to lien, penalty, and interest 30 days after the date on which they are due.

Imposed non-exchange revenue other than property taxes is recognized in the period when an enforceable legal claim has arisen and the resources are available.

Government-mandated non-exchange transactions and voluntary non-exchange transactions are recognized when all applicable eligibility requirements have been met and the resources are available. These include grant revenues, state shared taxes and intergovernmental revenue. Grant revenues are recognized as revenues when the related costs are incurred.

Other revenues susceptible to accrual are investment income and charges for services. 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.

The District reports the following enterprise fund:

General Fund. The General Fund is the District's primary operating fund. It accounts for all of the financial resources of the District.

B. Cash and cash equivalents

Cash includes amounts in demand deposits and certificates of deposit. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Cash and cash equivalents (continued)

All investments are stated at fair value that is determined by using selected bases. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

The District does not have an investment policy. District funds are invested in accordance with New Mexico State Statute 6-10-36 which provides for the following investments:

1. United States Treasury Securities (Bills, Notes and Bonds) and other securities issued by the United States government or its agencies or instrumentalities that are either direct obligations of the United States of America, the Federal Home Loan Mortgage Corp., the Federal National Mortgage District, the Federal Farm Credit Bank, or the Student Loan Marketing District, or are backed by the full faith and credit of the United States government.
2. Insured and/or collateralized (with U.S. Government Securities and/or New Mexico Bonds) certificates of deposit of banks, savings and loan Districts, and credit unions, pursuant to State Board of Finance Collateral Policies.
3. Money market funds whose portfolios consist entirely of United States Government Securities or agencies sponsored by the United States government.
4. Investments in the New Mexico State Treasurer external investment pool (Local Government investment Pool).

C. Capital Assets

Capital assets includes software, property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Governmental Accounting Standards Board (GASB) 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments allows phase III governments an exemption from the retroactive application of the capitalization requirements to major general infrastructure assets. The District has elected to not retroactively record infrastructure assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Capital Assets (continued)

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives, and are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Improvements other than buildings	30 years
Buildings and structures	30 years
Machinery and equipment	5 – 30 years
Furniture and fixtures	5 – 30 years
Infrastructure	5 – 50 years

D. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Balance

The District follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement defines fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance — amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance — amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance — amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Supervisors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance — amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority.
- Unassigned fund balance — amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District does not currently have a policy regarding whether committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those classifications could be used.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Supervisors have provided otherwise in its commitment or assignment actions.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Information

Actual amounts on the budgetary basis are prepared on the cash basis of accounting which recognizes revenues when received and expenses when paid. Annual budgets are adopted.

The District follows defined procedures in establishing the budgetary data reflected in the financial statements. Each year the District determines amounts required for construction, maintenance, operations and debt service expenditures. Budget amounts are as originally adopted and as amended by the Board of Supervisors and approved by the Local Government Division of the State of New Mexico Department of Finance and Administration (DFA) and are prepared on a cash basis. The District submits a proposed budget to DFA for the fiscal year commencing the following July 1. DFA must approve the budget prior to its legal enactment.

To meet legal compliance actual expenses cannot exceed the total budgeted expenses for the fund on a cash basis. Adjustments to the budget must be submitted to and approved by DFA in the form of a "budget adjustment request". The District does not use encumbrances.

The budget is prepared on the cash basis, which differs from GAAP. The budgetary comparison presented in these financial statements is on this Non-GAAP budgetary basis. The legal level of budgetary control is at the fund level.

G. 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.

NOTE 2. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the government carries commercial insurance. The District did not have an insurance policy in place during the year to address these types of risks. Management will evaluate the need for a commercial insurance policy on an ongoing basis.

**STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2016**

The report contents were discussed at an exit conference held on December 8, 2016 with the following in attendance:

Valencia Soil and Water Conservation District

Madeline Miller	District Manager
Andrew Hautzinger	Treasurer

Assurance Tax Accounting PC

Johnny Mangu, MBA, CPA, CGFM, CGMA	Principal
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