

**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, 2019**

**ASSURANCE TAX ACCOUNTING PC**

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**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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**STATE OF NEW MEXICO  
VALENCIA SOIL AND WATER CONSERVATION DISTRICT  
OFFICIAL ROSTER  
Fiscal Year Ending June 30, 2019**

|                           |                        |
|---------------------------|------------------------|
| Chairman                  | Abel M. Camarena       |
| Vice-Chair                | Teresa Smith de Cherif |
| Treasurer                 | Andrew Hautzinger      |
| Supervisor                | Joseph Moya            |
| Supervisor                | Jeff Goebel            |
| Supervisor                | Sue Small              |
| Supervisor                | Richard Bonine         |
| <br>                      |                        |
| District Manager          | Madeline Miller        |
| Association Supervisors:  | Jim Lane               |
| <br>                      |                        |
| Whitfield Project Manager | Ted Hodoba             |

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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 Brian S. Colón  
New Mexico State Auditor  
Santa Fe, New Mexico

We have performed the procedures enumerated below which were agreed to by Valencia Soil and Water Conservation District (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 (6) 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.

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](http://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](http://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 \$378,562 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 Wells Fargo Bank reconciliations for July 2018 was performed 77 days after the statement date, August 2018 was performed 46 days after the statement date, February 2019 was performed 32 days after the statement date and May 2019 was performed 55 days after the statement date. All bank statements and investment/savings statements

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were complete and on hand without exception. All monthly bank reconciliations for the operating account were examined without exception. See finding 2016-001.

- 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 performed a test of bank reconciliations for at least 30% of the 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. The months of September 2018, December 2018, March 2019, and June 2019 were not accurate as there is a reconciliation variance of \$395, \$5,667 \$2,694, and \$190 between the book balance per reconciliation and book balance per the financial statements. The District submitted the quarterly financial reports to DFA-LGD with incorrect values. We noted that the expenditure per Financial Statement was \$90,521 and it was \$94,046 on the first quarterly report to DFA resulting in variance of \$3,525. The expenditure per Financial Statement was \$208,229 and it was \$216,380 on the second quarterly report to DFA report resulting in a variance of \$8,151. The cash balance end of period per Financial Statement was \$489,666 and it was \$470,650 on the third quarterly report to DFA resulting in a variance of \$19,016. The revenues per Financial Statement was \$238,458 and it was \$218,459 on the third quarterly report to DFA resulting in a variance of \$19,999. The expenditure per Financial Statement was \$313,958 and it was \$348,281 on the third quarterly report to DFA resulting in a variance of 34,323. The cash balance end of period per Financial Statement was \$462,491 and it was \$460,308 on the third quarterly report to DFA resulting in a variance of \$2,183. We noted that the expenditure per Financial Statement was \$449,351 and it was \$508,969 on the fourth quarterly report to DFA resulting in a variance of \$59,618. 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. Therefore, pledged collateral by the financial institution was not required.

### 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

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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 but it was not reviewed and signed approved by the Board. See finding 2019-001.

#### 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.

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 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.

We selected a sample of 17 receipts (99% of total dollar amount) 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 selected a sample of 17 receipts (99% of total dollar amount) 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.

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### 6. 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 randomly selected a sample (32% of total dollar amount) 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. The district did not provide the supporting documentation for 1 disbursement amounting to \$50. See finding 2018-001.

- 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. The district did not provide the supporting documentation for 1 disbursement amounting to \$50. See finding 2018-001.

- 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 three overpayments, the total amounting to \$1.63 and two underpayments, the total amounting to \$0.76 for the items tested. See finding 2019-003

### 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 significant journal entries entered during FY 2019 for testing. All journal entries appear reasonable based on the memorandum explanation for each entry.

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- 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 did not provide documentation to show that the journal entries are being reviewed and approved at year end. See finding 2019-002.

### 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.

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\*

The scope of the agreed-upon procedures engagement shall encompass any and all state-funded capital outlay appropriations of the New Mexico Legislature that meet Tier 6 criteria. 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 that meet the Tier 6 criteria. Perform the following tests on all state-funded capital outlay expenditures:

- 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.



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- 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.
- 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.

#### **10. 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.

The District did not submit their FY 2019 agreed-upon procedures report to the Office of the State Auditor by December 16, 2019, the due date of the report. See finding 2019-004.

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.

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### **11. Reports**

Prepare and submit to the Office of the State Auditor an agreed-upon procedures report and a compilation report that comply with AT-C Section 215 and AR-C Section 80, respectively.

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 Valencia SWCD'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 Valencia SWCD, the New Mexico Office of the State Auditor, the New Mexico Office 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 28, 2019

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, 2019

|  | Budgeted Amount     |                     | Actual              | Variances   |
|--|---------------------|---------------------|---------------------|---|
|  | Original            | Final               | Cash Basis          | Favorable<br>(Unfavorable<br>Actual to<br>Final Budget) |
|  | <b>Revenue</b>      |                     |                     |   |
| NMDA State Allotment                   | \$ 13,600           | \$ 13,600           | \$ 14,095           | \$ 495  |
| Rental Income Rio Abajo                | -                   | -                   | -                   | -   |
| Property Tax Revenues                  | 342,968             | 342,968             | 342,666             | (302)   |
| Miscellaneous                          | -                   | 500                 | 445                 | (55)  |
| Grant Income                           | 17,500              | -                   | 18,059              | 18,059  |
| DAN Goodman Award Trust                |                     | 2,000               | -                   | (2,000)   |
| Conservation Sale Items (Rain barrels) |                     | 500                 | 2,614               | 2,114   |
| Intergovernmental Grants Revenues      |                     | 6,400               | -                   | (6,400)   |
| Other Revenues                         |                     | 55,414              | -                   | (55,414)  |
| Interest Income                        |                     | 500                 | 683                 | 183   |
|  | <u>374,068</u>      | <u>421,882</u>      | <u>378,562</u>      | <u>(43,320)</u>   |
| <b>Expenses</b>                        |                     |                     |                     |   |
| Personnel services                     | 332,392             | 321,612             | 301,737             | 19,875  |
| Mileage & Per diem                     | 6,000               | 6,000               | 3,675               | 2,325   |
| Fees and Services                      | -                   | 7,723               | 9,825               | (2,102)   |
| Office expenses                        | 9,160               | 7,500               | 13,892              | (6,392)   |
| Building expenses ( rent/maintenan     | 9,500               | 9,500               | 2,654               | 6,846   |
| Supplies                               | 3,000               | 1,000               | 5,320               | (4,320)   |
| Election Expenses                      | 250                 | -                   | 250                 | (250)   |
| Education                              | 8,600               | 12,833              | 25,591              | (12,758)  |
| Advertising and Public Relations       | 1,800               | 3,000               | 3,538               | (538)   |
| Dues & board fees                      | 5,000               | 7,960               | 5,600               | 2,360   |
| Field supplies                         | 4,000               | 6,200               | 8,969               | (2,769)   |
| Postage expense                        | 525                 | 525                 | 421                 | 104   |
| Land Management needs                  | -                   | 2,650               | 5,669               | (3,019)   |
| Contractual , Services                 | 12,120              | 14,120              | 9,591               | 4,529   |
| Utilities                              | 7,800               | 7,000               | 6,784               | 216   |
| Insurance                              | 5,300               | 6,000               | 2,016               | 3,984   |
| Annual audit expenses                  | 3,340               | 3,338               | 3,582               | (244)   |
| Accountant                             | 12,000              | 8,000               | 10,891              | (2,891)   |
| Financial Assistance Programs          | 50,000              | 40,000              | 29,298              | 10,702  |
| Miscellaneous                          | 1,200               | 200                 | 49                  | 151   |
| University grant                       | 21,914              | 21,914              | -                   | 21,914  |
| Miscellaneous & Vehicle Expenses       | 800                 | -                   | -                   | -   |
| RACA Habitat Restoration               |                     | -                   | 59,643              | (59,643)  |
| Conservation fund - EVUGP              | 17,500              | 4,900               | -                   | 4,900   |
| Brush control expenses                 | 1,000               | -                   | -                   | -   |
| Other Debt Service                     | 694                 | -                   | -                   | -   |
| Capital Outlay                         | -                   | 34,500              | -                   | 34,500  |
|  | <u>513,895</u>      | <u>526,475</u>      | <u>508,994</u>      | <u>17,481</u>   |
| Revenues over (under) expenses         | \$ <u>(139,827)</u> | \$ <u>(104,593)</u> | \$ <u>(130,432)</u> | \$ <u>(25,839)</u>                                      |

See independent accountant's compilation report and accompanying notes.

Blue / Red Cells in Worksheet are Data Entry Cells

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

REPORT TO LOCAL 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.

By: Maddie Miller  
 (Signature)

Special Budget: VALENCIA SOIL AND WATER CONSERVATION DISTRICT  
 Quarter Ending: 6/30/2018  
 Prepared by: Maddie Miller

QUARTERLY FUND TO FUND TRANSACTIONS PER BOOKS

| FUND TITLE                    | FUND NUMBER | UNAUDITED BEGINNING CASH BALANCE @ JULY 1 (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         | 376,121   | 194,009           | 379,627           | (21,200)      | 417,726              | 402,000                    | 10,295                  | -                         | -           | 412,295                        | 429,812                     | (17,517)           |
| INTRAGOVERNMENTAL GRANTS      | 218         | -   | -                 | -                 | 39,640        | 39,641               | -                          | -                       | -                         | -           | -                              | -                           | -                  |
| OTHER                         | 299         | -   | -                 | -                 | 11,400        | 11,400               | -                          | -                       | -                         | -           | -                              | -                           | -                  |
| DEBT SERVICE                  | 400         | -   | -                 | 481               | -             | -                    | 481                        | -                       | -                         | -           | 481                            | -                           | 481                |
| <b>Grand Total</b>            |             | <b>\$ 376,121</b>                                     | <b>\$ 194,009</b> | <b>\$ 379,627</b> | <b>\$ -</b>   | <b>\$ 508,967</b>    | <b>\$ 402,781</b>          | <b>\$ 10,295</b>        | <b>\$ -</b>               | <b>\$ -</b> | <b>\$ 412,076</b>              | <b>\$ 429,812</b>           | <b>\$ (17,736)</b> |

**SPECIAL DISTRICT: ALENCIA SOIL AND WATER CONSERVATION DISTRICT**  
**QUARTER ENDING: 6/30/19**

| REVENUES  | CURRENT QUARTER | YEAR TO DATE | APPROVED BUDGET |
|---|-----------------|--------------|-----------------|
| <b>General Fund 101 ( enter items below )</b>             |                 |              |                 |
| NMDA STATE ALLOTMENT                                      | -               | 14,095       | 13,600          |
| RENTAL INCOME RIO ABAJO                                   | -               | -            | -               |
| PROPERTY TAX REVENUES                                     | 122,095         | 342,666      | 342,968         |
| MISCELLANEOUS   | 340             | 340          | 500             |
| GRANT INCOME  | 18,059          | 18,059       | -               |
| DAN GOODMAN AWARD TRUST                                   | -               | -            | 2,000           |
| CONSERVATION SALE ITEMS (Rain barrels, BioKits)           | 565             | 3,780        | 500             |
|   | -               | -            | -               |
|   | -               | -            | -               |
| <b>Subtotal General Fund Revenues</b>                     | \$ 141,059      | \$ 378,940   | \$ 359,568      |
| Other Financing Sources: Transfers In                     | -               | -            | -               |
| Transfers Out   | 71,243          | 71,243       | -               |
| <b>Total Transfers</b>                                    | \$ (71,243)     | \$ (71,243)  | \$ -            |
| <b>TOTAL GENERAL FUND REVENUES</b>                        | \$ 69,816       | \$ 307,697   | \$ 359,568      |
| <b>Intergovernmental Grants 218 ( enter items below )</b> |                 |              |                 |
| CONSERVATION FUND GRANT (Private)                         | -               | -            | 4,900           |
| MISCELLANEOUS   | -               | -            | 1,500           |
|   | -               | -            | -               |
|   | -               | -            | -               |
|   | -               | -            | -               |
|   | -               | -            | -               |
| <b>Subtotal Intergovernmental Grants Revenues</b>         | \$ -            | \$ -         | \$ 6,400        |
| Other Financing Sources: Transfers In                     | 59,643          | 59,643       | -               |
| Transfers Out   | -               | -            | -               |
| <b>Total Transfers</b>                                    | \$ 59,643       | \$ 59,643    | \$ -            |
| <b>TOTAL INTERGOV. GRANT REVENUES</b>                     | \$ 59,643       | \$ 59,643    | \$ 6,400        |
| <b>Other 299 ( enter items below )</b>                    |                 |              |                 |
| CAPITAL OUTLAY  | -               | -            | 34,500          |
| EDUCATIONAL INCOME  | -               | -            | 19,414          |
| MISCELLANEOUS   | -               | -            | 1,500           |
|   | -               | -            | -               |
|   | -               | -            | -               |
|   | -               | -            | -               |
|   | -               | -            | -               |
| <b>Subtotal Other 299 Revenues</b>                        | \$ -            | \$ -         | \$ 55,414       |
| Other Financing Sources: Transfers In                     | 11,600          | 11,600       | -               |
| Transfers Out   | -               | -            | -               |
| <b>Total Transfers</b>                                    | \$ 11,600       | \$ 11,600    | \$ -            |
| <b>TOTAL OTHER REVENUES</b>                               | \$ 11,600       | \$ 11,600    | \$ 55,414       |
| <b>Debt Service 400</b>                                   |                 |              |                 |
| <b>General Obligation Bonds</b>                           |                 |              |                 |
| General Obligation - (Property tax)                       | -               | -            | -               |
| Investment Income   | 110             | 687          | 500             |
| Other - Misc  | -               | -            | -               |
| <b>Revenue Bonds</b>                                      |                 |              |                 |
| Bond Proceeds   | -               | -            | -               |
| Revenue Bonds - GRT                                       | -               | -            | -               |
| Investment Income   | -               | -            | -               |
| Revenue Bonds - Other                                     | -               | -            | -               |
| Miscellaneous(NMFA, BOF, etc.)                            | -               | -            | -               |
|   | -               | -            | -               |
| <b>Subtotal Debt Service Fund Revenues</b>                | \$ 110          | \$ 687       | \$ 500          |
| Other Financing Sources: Transfers In                     | -               | -            | -               |
| Transfers Out   | -               | -            | -               |
| <b>Total Transfers</b>                                    | \$ -            | \$ -         | \$ -            |
| <b>TOTAL DEBT SERVICE REVENUES</b>                        | \$ 110          | \$ 687       | \$ 500          |
| <b>GRAND TOTAL REVENUES</b>                               | \$ 141,169      | \$ 379,627   | \$ 421,882      |

## SPECIAL DISTRICT: VALENCIA SOIL AND WATER CONSERVATION DISTRICT

QUARTER ENDING: 6/30/19

| EXPENDITURES  | CURRENT<br>QUARTER | YEAR<br>TO DATE   | APPROVED<br>BUDGET |
|---|--------------------|-------------------|--------------------|
| <b>General Fund 101 ( enter items below )</b>                 |                    |                   |                    |
| 500- PERSONNEL SERVICES                                       | 78,971.00          | 301,737           | 321,612            |
| 520-MILEAGE & PER DIEM  | 703                | 3,675             | 6,000              |
| 530-FEES & SERVICES   | 851                | 9,824             | 7,723              |
| 540-OFFICE EXPENSE  | 7,166              | 13,892            | 7,500              |
| 550-BUILDING EXPENSE  | 564                | 2,654             | 9,500              |
| 560-SUPPLIES  | 2,371              | 5,320             | 1,000              |
| 570- ELECTION EXPENSE   |                    | 250               | -                  |
| 580-EDUCATION EXPENSE   | (22)               | 13,991            | 12,833             |
| 600-ADVERTISING & PUBLIC RELATIONS                            | 1,009              | 3,538             | 3,000              |
| 620-DUES & BOARD FEES   | 1,264              | 5,600             | 7,960              |
| 630-FIELD SUPPLIES  | 2,082              | 8,969             | 6,200              |
| 640-POSTAGE EXPENSE   | 127                | 421               | 525                |
| 660-LAND MANAGEMENT NEEDS ?                                   |                    | 5,669             | 2,650              |
| 670-CONTRACTUAL SERVICES                                      | -                  | 9,591             | 14,120             |
| 680-ALL UTILILITIES   | 902                | 6,784             | 7,000              |
| 710-MISCELLANEOUS & VEHICLE EXPENSE                           |                    |                   | -                  |
| 800-INSURANCE:  |                    | 2,016             | 6,000              |
| ANNUAL AUDIT  | 567                | 3,582             | 3,338              |
| ACCOUNTANT  | 3,227              | 10,891            | 8,000              |
| TRAINING & WORKSHOPS  |                    |                   | -                  |
| FINANCIAL ASSISTANCE PROGRAM                                  | 20,697             | 29,298            | 40,000             |
| MISCELLANEOUS   | (85)               | 24                | 200                |
| <b>TOTAL GENERAL FUND EXPENDITURES</b>                        | <b>\$ 120,994</b>  | <b>\$ 437,726</b> | <b>\$ 465,161</b>  |
| <b>Intergovernmental Grants 218 ( enter items below )</b>     |                    |                   |                    |
| University Grant - Bosque Ecosystem Monitoring Program (BEMP) |                    | -                 | 21,914             |
| NM G&F GRANT for RIO ABAJO CONSERVATION AREA                  | 28,094             | 59,643            | -                  |
|   | -                  | -                 | -                  |
|   | -                  | -                 | -                  |
|   | -                  | -                 | -                  |
|   | -                  | -                 | -                  |
|   | -                  | -                 | -                  |
| <b>TOTAL INTERGOV. GRANT EXPENDITURES</b>                     | <b>\$ 28,094</b>   | <b>\$ 59,643</b>  | <b>\$ 21,914</b>   |
| <b>Other 299 ( enter items below )</b>                        |                    |                   |                    |
| ALL OTHER INSURANCE   |                    |                   |                    |
| WATER TRUST BOARD Loan (C-P SWCD Fiscal Agent)                |                    |                   | -                  |
| CAPITAL OUTLAY  |                    |                   | 34,500             |
| NM COMMUNITY FOUNDATION                                       | 11,600             | 11,600            | -                  |
| CONSERVATION FUND - EVUGP                                     |                    |                   | 4,900              |
|   |                    |                   | -                  |
|   |                    |                   | -                  |
| <b>TOTAL OTHER EXPENDITURES</b>                               | <b>\$ 11,600</b>   | <b>\$ 11,600</b>  | <b>\$ 39,400</b>   |
| <b>Debt Service 400</b>                                       |                    |                   |                    |
| Bond Payments Principal                                       |                    |                   | -                  |
| Bond Payments- Interest                                       |                    |                   | -                  |
| Other Debt Service - Water Trust Board loan ( 10 year)        |                    |                   | -                  |
| <b>TOTAL DEBT SERVICE EXPENDITURES</b>                        | <b>\$ -</b>        | <b>\$ -</b>       | <b>\$ -</b>        |
| <b>GRAND TOTAL EXPENDITURES</b>                               | <b>\$ 160,689</b>  | <b>\$ 508,969</b> | <b>\$ 526,475</b>  |

**DEBT SERVICE**

**SPECIAL DISTRICT: WATER CONSERVATION DISTRICT**

Fund Number: 400  
Quarter Ending: 6/30/19

| (A)<br>NAME AND TYPE                              | (B)<br>DATE OF<br>ISSUE | (C)<br>ORIGINAL<br>FACE AMOUNT OF<br>ISSUE | (D)<br>OUTSTANDING<br>PRINCIPAL<br>AMOUNT (Unpaid) | (E)<br>COUPON<br>RATE OF<br>INTEREST | (F)<br>PRINCIPAL<br>DUE | (G)<br>INTEREST<br>DUE |
|---|-------------------------|--|--|--------------------------------------|-------------------------|------------------------|
| Water Trust Bond Loan - GRGWA restoration project | 4/1/2010                | 6,945                                      | 1,387  | 0.0%                                 | 695                     | *                      |
|   |                         | 0/000/0000                                 | *  | 0.0%                                 | *                       | *                      |
|   |                         | 0/000/0000                                 | *  | 0.0%                                 | *                       | *                      |
|   |                         | 0/000/0000                                 | *  | 0.0%                                 | *                       | *                      |
|   |                         | 0/000/0000                                 | *  | 0.0%                                 | *                       | *                      |
|   |                         | 0/000/0000                                 | *  | 0.0%                                 | *                       | *                      |
|   |                         | 0/000/0000                                 | *  | 0.0%                                 | *                       | *                      |
|   |                         | 0/000/0000                                 | *  | 0.0%                                 | *                       | *                      |
|   |                         | 0/000/0000                                 | *  | 0.0%                                 | *                       | *                      |
|   |                         | 0/000/0000                                 | *  | 0.0%                                 | *                       | *                      |
| <b>TOTAL</b>                                      |                         | 6,945                                      | 1,387  |                                      | 695                     | *                      |

**INSTRUCTIONS - SCHEDULE OF BONDS & LONG TERM LOANS**

Column (A): Describe the Purpose of the DEBT along with its NAME AND TYPE.

Column (B): Enter the Date of Issue.

Column (C): Enter the Original Amount of the Issue.

Column (D): Enter Unpaid Principal Balance for Fiscal Year.

Column (E): Enter Principal Amount To Be Paid, during Fiscal Year.

Column (F): Enter Interest Amount To Be Paid, during Fiscal Year.

**TOTAL PRINC/INT PD** 695

Special District:  
**VALENCIA SOIL AND WATER CONSERVATION DISTRI**

QUARTER ENDING:

06/30/19

| BUDGETED TRANSFERS *<br>OTHER FINANCING SOURCES/ USES | Current Quarter | Year to Date |
|---|-----------------|--------------|
| Transfers In Fund 101 (e.g. 500)                      |                 |              |
| Transfers In Fund 218                                 | 59,643          | 59,643       |
| Transfers In Fund 299                                 | 11,600          | 11,600       |
| Transfers In Fund 400                                 | -               | -            |
| <b>A SUB-TOTAL</b>                                    | 71,243          | 71,243       |
| Transfers Out Fund 101 (e.g. 500)                     | 71,243          | 71,243       |
| Transfers Out Fund 218                                |                 |              |
| Transfers Out Fund 299                                |                 |              |
| Transfers Out Fund 400                                | -               | -            |
| <b>B SUB-TOTAL</b>                                    | 71,243          | 71,243       |
| <b>A - B Total Net Transfers</b>                      | \$ -            | \$ -         |

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, 2019**

**Prior Year Findings:**

|  |          |
|--|----------|
| Finding 2016-001 – Bank Reconciliations                                    | Repeated |
| Finding 2018 001 – Lack of Documentation<br>for Receipts and Disbursements | Repeated |

**Current Year Finding:**

|   |  |
|---|--|
| Finding 2016-001 – Bank Reconciliations   | Finding that do not rise to the level of significant deficiency. |
| Finding 2018-001 – Lack of Documentation for Disbursements                          | Finding that do not rise to the level of significant deficiency. |
| Finding 2019-001 – Review and Approval of Capital Assets                            | Significant Deficiency, Noncompliance                            |
| Finding 2019-002 – Review and Approval of Journal Entries                           | Significant deficiency in internal control                       |
| Finding 2019-003 – Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC) | Other Non-Compliance   |
| Finding 2019-004 – Late Agreed-Upon Procedures Report and IPA Recommendation        | Other Non-Compliance   |

**STATE OF NEW MEXICO**  
**VALENCIA SOIL AND WATER CONSERVATION DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**YEAR ENDED JUNE 30, 2019**

**Finding 2016-001 - Bank Reconciliations (Finding that do not rise to the level of significant deficiency)**

Condition:

While applying the agreed upon procedures over timeliness of cash reconciliations, it was noted that the Wells Fargo Bank reconciliations for July 2018 was performed 77 days after the statement date, August 2018 was performed 46 days after the statement date, February 2019 was performed 32 days after the statement date and May 2019 was performed 55 days after the statement date. The reconciliations for September 2018, December 2018, March 2019, and June 2019 were not accurate as there is a reconciliation variance of \$395, \$5,667 \$2,694, and \$190 between the book balance per reconciliation and book balance per the financial statements. The District submitted the quarterly financial reports to DFA-LGD with incorrect values. We noted that the expenditure per Financial Statement was \$90,521 and it was \$94,046 on the first quarterly report to DFA resulting in variance of \$3,525. The expenditure per Financial Statement was \$208,229 and it was \$216,380 on the second quarterly report to DFA resulting in a variance of \$8,151. The cash balance end of period per Financial Statement was \$489,666 and it was \$470,650 on the third quarterly report to DFA resulting in a variance of \$19,016. The revenues per Financial Statement was \$238,458 and it was \$218,459 on the third quarterly report to DFA resulting in a variance of \$19,999. The expenditure per Financial Statement was \$313,958 and it was \$348,281 on the third quarterly to DFA resulting in a variance of 34,323. The cash balance end of period per Financial Statement was \$462,491 and it was \$460,308 on the third quarterly report to DFA resulting in a variance of \$2,183. We noted that the expenditure per Financial Statement was \$449,351 and it was \$508,969 on the fourth quarterly report to DFA resulting in a variance of \$59,618. Management did not make any progress towards implementing the prior year corrective action plan.

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.

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 is aware of the requirement for bank reconciliations to be done within 30 days of the end of a month's period. The District 3<sup>rd</sup> party accountant has been quarterly reviewing bank reconciliations and has sometime redone reconciliations for correction of accounting errors. Including into prior periods. The District did start a procedure of documenting the changed bank reconciliations but further needs to ensure Board and NM DFA oversight of changes to books following reporting to the Board or quarterly to DFA. The Treasurer will recommend an additional policy be adopted by the Board at the January 2020 regular meeting that prior period corrections to bank reconciliations or other adjustments will not be made following submittal of quarterly reports to DFA and Board review of the submitted reports. Additionally, the Treasurer will work with the District Manager and the 3<sup>rd</sup> party accountant that in the event that such changes to reviewed reporting are made that revised reports are reviewed and approved by the Board and amended reports submitted to DFA. The District Manager is responsible for completing bank reconciliations within 30 days and the 3<sup>rd</sup> party accountant may still review and simply report to the Treasurer and Board any inaccuracies. The District Manager will continue to ensure that these reconciliations are being performed within thirty days after the statement end date and if there is a period of non-compliance provides formal report to the Board at a regular Board meeting while following to complete the reconciliation as soon possible following non-compliance.

**STATE OF NEW MEXICO**  
**VALENCIA SOIL AND WATER CONSERVATION DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**YEAR ENDED JUNE 30, 2019**

**Finding 2018-001 - Lack of Documentation for Disbursements (Significant Deficiency)**

Condition:

The district did not provide the supporting documentation for 1 disbursement amounting to \$50. 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. The supporting documentation should be retained along with the copy of the check disbursement.

Cause:

The District does not have a process for retaining the proper documentation for disbursements.

Effect:

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

Recommendation:

The District should adopt a policy of retaining supporting documentation for every disbursement, to help determine that reimbursements recorded are complete, accurate and timely.

Management's Response:

The District was unable to provide proper documentation for payroll items during the AUP for 2019; all other supporting documentation was kept as there is an internal procedure to do so. The policy recommended by the auditor for our AUP 2019 to ensure this process is maintained consistently going forward will be included in the District Policy Manual that is to be approved by the Board at their January 2020 meeting. The outstanding missing documentation was related to a payroll correction dated 12/12/2019 in the District accounting which will need to be further reviewed and provided by management to the Treasurer. Future discrepancies will be reviewed by the Treasurer and noted in the Treasurer's Report for the Board at the next monthly meeting following internal finding. The District Manager will provide the Treasurer and Chair with all receipts and disbursements for transactions monthly along with review of the monthly bank reconciliation. The District has in place an internal procedure for two signatures for every voucher with receipts attached and as policy going forward will ensure all receipts are attached prior to approval of transactions.

**STATE OF NEW MEXICO**  
**VALENCIA SOIL AND WATER CONSERVATION DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**YEAR ENDED JUNE 30, 2019**

**Finding 2019-001 - Review and Approval of Capital Asset (Significant Deficiency, Noncompliance)**

Condition:

For the fiscal year ending June 30, 2019 the governing body of the District did not certify the correctness of the capital asset listing.

Criteria:

Section 12-6-10A NMSA 1978 states: "Annual Inventory. The governing authority of each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority. Upon completion, the inventory shall be certified by the governing authority as to correctness." Section 2.20.1 NMAC requires an annual inventory and establishes standards to properly record, control and account for capital assets acquired by agencies.

Cause:

The District was not aware of the annual capital asset inventory laws and regulations.

Effect:

The District had a complete listing and an established carrying amount for the value of its capital assets as of June 30, 2019 but it was not reviewed and approved by the District board to properly control, account for, and manage its capital assets.

Recommendation:

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

Management's Response:

The District does maintain annually updated inventory and capital assets lists but has not been consistent in review and approval of these management updates by the Board of Supervisors. Going forward, included in the District Policy Manual will be an accounting policy requiring management to provide the updated capital assets (along with the inventory listing update) to the Board by the April Board meeting of each fiscal year. For correction of the current deficiency, management needs to provide this inventory for Board review at the January 2020 meeting and will provide again in May 2020 for Fiscal Year 2021 considerations. District Manager will perform a complete physical inventory of its capital assets which will include the required data.

After the inventory is performed, the inventory listing will be certified as to correctness and signed by the governing body at the January meeting and again in May 2020 for the end of the fiscal year requirement.

**NEW MEXICO**  
**VALENCIA SOIL AND WATER CONSERVATION DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**YEAR ENDED JUNE 30, 2019**

**Finding 2019-002. Review and approval of journal entries (significant deficiency in internal control)**

Condition:

The District did not provide documentation to show that the journal entries are being reviewed and approved at year end.

Criteria:

Proper internal controls that prevent management override include requiring that journal entries must have supporting documentation and appear reasonable, and have evidence that the entries are being reviewed and approved.

Cause:

The District was not aware that Journal Entries should be reviewed and approved.

Effect:

If journal entries are not reviewed and approved, fraud waste and abuse could take place without being detected, and the financial statements could be manipulated or misstated.

Recommendation:

The District should prepare supporting documentation of journal entries to be reviewed and approved by the Board. The supporting documentation should provide support that the journal entries are being reviewed and approved prior to their entry in the system.

Management's Response:

The District is aware of the need for Board review of any adjustments to the accounting and statements and needs to implement additional controls to assure Board review in a timely manner and within the fiscal year. The District has a current policy of maintaining 3<sup>rd</sup> party review of the books on a quarterly basis. The Treasurer is provided journal entries with notes from the accountant at time of entry. In additional controls going forward, The District Manager must ensure that the Treasurer is provided this review directly from the accountant at time of review and the Treasurer will provide entries authorized (by the Treasurer) in the Treasurer's Report at the next Board meeting. At the January 2020 meeting an additional policy will be implemented for Board authorization of the Treasurer providing first Board review (copy Chair). Full Board review may include any reversal or corrective action of the Board that may be needed following the Treasurer approved entries being made in the books. A systematic documentation procedure must also be devised to ensure full explanation and copy of documents reviewed by the Board for future agreed upon procedures and audits of the District. Going forward the District Manager is responsible for ensuring Treasurer review and approval at time of journal entries and prepares supporting documentation with the explanation of the journal entry to the Board for review and approval. 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, 2019

**Finding 2019-003 - Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).**

Condition:

The District used the incorrect mileage reimbursement rate to reimburse employee use of personal vehicles for the benefit of the District. Because the District was not using the appropriate mileage reimbursement rate, it resulted in three overpayments, the total amounting to \$1.63 and two underpayments, the total amounting to \$0.76 for the items tested.

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."

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 by prior motion at a regular public meeting adopted following the DFA practice of 80% the prior year IRS rate but has not been reviewing this rate annually. Recommendation by the Treasurer and District Manager will be made to the full Board January 2020 to approve the Board reviewing annually at their December meeting the new calendar year published mileage rate of the NM Department of Finance and Administration. Board will take action as required by State law for determining the rate at the DFA rate or lower based on budget considerations. This policy will be added to the District Policy manual and updated annually at the same time. The Treasurer will make a recommendation to the full Board at the January meeting about any additional corrective action of the current rate.



**STATE OF NEW MEXICO**  
**VALENCIA SOIL AND WATER CONSERVATION DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
Fiscal Year Ended June 30, 2019

**Finding 2019-004 - Late Agreed-Upon Procedures Report (Other Non-Compliance)**

Condition:

The District did not submit their FY 2019 agreed-upon procedures report to the Office of the State Auditor by December 16, 2019, the due date of the report

Criteria:

2.2.2 NMAC (State Audit Rule) requires submission of the IPA recommendation by July 1, 2019. 2.2.2 NMAC also requires submission of audit reports within five and a half months after year-end, or December 16, 2019.

Cause:

The District was not aware of the State Audit Rule requirements to contract with an audit firm, and submit the audit report within the five and a half months after year end.

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.

Recommendation:

The District should prepare the annual auditor recommendation by July 1, of each year and submit it to the Office of the State Auditor. The District should also institute policies and procedures that will enable it to complete their annual audit five and a half months after year-end.

Management's Response:

The District President and Board will create a policy and procedure to submit the IPA recommendation to the State Auditor Office before July 1 and complete the audit requirements within the five and a half months after year-end. The District President 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, 2019**

**ASSURANCE TAX ACCOUNTING PC**

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**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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## Financial Audits – Agreed Upon Procedures – Tax – Consulting

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 Brian S. Colón  
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, 2019, 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 with the requirements of Section 2.2.2.16 New Mexico Administrative Code (NMAC). 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.

In order to comply with the requirements of Section 12-6-3(B) NMSA1978 and 2.2.2.16 NMAC, management has presented: (1) the governmental fund financial statements prepared using the modified accrual basis of accounting, and (2) only the notes related to those financial statements. However, in complying with these requirements, management has omitted the following financial statements and notes required by accounting principles generally accepted in the United States of America (GAAP): (a) the accompanying governmentwide financial statements; (b) the District does not present any proprietary funds; and (c) note disclosures related to items (a) and (b). These omissions result in the financial statements being presented on a basis of accounting other than GAAP.

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the AICPA's Financial Reporting Framework for Small and Medium Sized Entities, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

*Assurance Tax Accounting P.C.*

Assurance Tax Accounting P.C.  
Albuquerque, New Mexico  
December 28, 2019

STATE OF NEW MEXICO  
 VALENCIA SOIL AND WATER CONSERVATION DISTRICT  
 BALANCE SHEET  
 June 30, 2019

General Fund

**ASSETS**

|                           |    |                       |
|---------------------------|----|-----------------------|
| Cash and cash equivalents | \$ | 451,084               |
| Accounts Receivable       |    | <u>14,514</u>         |
| <b>Total assets</b>       | \$ | <u><u>465,598</u></u> |

**LIABILITIES AND FUND BALANCES**

**LIABILITIES**

|                          |    |               |
|--------------------------|----|---------------|
| Accrued Payroll          | \$ | 11,131        |
| Claunch Pinto SWCD WTB   |    | <u>2,083</u>  |
| <b>Total liabilities</b> | \$ | <u>13,214</u> |

**FUND BALANCES**

|                              |    |                |
|------------------------------|----|----------------|
| Restricted, special revenues | \$ | 214,076        |
| Unassigned                   |    | <u>238,308</u> |
| <b>Total fund balances</b>   | \$ | <u>452,384</u> |

**Total liabilities and fund balances** \$ 465,598

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, 2019**

|                                  | <u>General Fund</u> |
|----------------------------------|---------------------|
| <b>Revenues</b>                  |                     |
| Mill Levy - Valencia             | \$ 337,612          |
| Mill Levy - Socorro              | 447                 |
| General/Operating Funds          | 1,370               |
| NMDA Allotment                   | 14,095              |
| Proerty Tax Prio Year            | 4,607               |
| Donations                        | 499                 |
| Interest Income                  | 683                 |
| Whitfield Sales                  | 815                 |
| Grant Income                     | 18,059              |
| Miscellaneous Revenues           | 376                 |
| <b>Total Revenues</b>            | <u>378,562</u>      |
| <b>Expenses</b>                  |                     |
| Personnel services               | 301,737             |
| Mileage & Per diem               | 3,675               |
| Grant Direct costs               | 26,386              |
| Supplies                         | 28,182              |
| Operating                        | 15,826              |
| Education                        | 29,129              |
| Dues & board fees                | 5,850               |
| Postage                          | 421                 |
| Utilities                        | 6,784               |
| Insurance                        | 2,016               |
| Financial Assistance Programs    | 29,298              |
| Miscellaneous                    | 49                  |
| RACA Habitat Restoration         | 59,643              |
| <b>Total Expenses</b>            | <u>508,994</u>      |
| Net change in fund balances      | (130,432)           |
| Fund balance, beginning of year  | 579,502             |
| <b>Fund balance, end of year</b> | <u>\$ 449,070</u>   |

See independent accountant's compilation report and accompanying notes.

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, 2019

|  | Budgeted Amount     |                     | Actual              | Variances                                  |
|--|---------------------|---------------------|---------------------|--|
|  | Original            | Final               |                     | Favorable                                  |
|  |                     |                     | Cash Basis          | (Unfavorable<br>Actual to<br>Final Budget) |
| <b>Revenue</b>                         |                     |                     |                     |  |
| NMDA State Allotment                   | \$ 13,600           | \$ 13,600           | \$ 14,095           | \$ 495                                     |
| Rental Income Rio Abajo                | -                   | -                   | -                   | -  |
| Property Tax Revenues                  | 342,968             | 342,968             | 342,666             | (302)                                      |
| Miscellaneous                          | -                   | 500                 | 445                 | (55)                                       |
| Grant Income                           | 17,500              | -                   | 18,059              | 18,059                                     |
| DAN Goodman Award Trust                |                     | 2,000               | -                   | (2,000)                                    |
| Conservation Sale Items (Rain barrels) |                     | 500                 | 2,614               | 2,114                                      |
| Intergovernmental Grants Revenues      |                     | 6,400               | -                   | (6,400)                                    |
| Other Revenues                         |                     | 55,414              | -                   | (55,414)                                   |
| Interest Income                        |                     | 500                 | 683                 | 183  |
|  | <u>374,068</u>      | <u>421,882</u>      | <u>378,562</u>      | <u>(43,320)</u>                            |
| <b>Expenses</b>                        |                     |                     |                     |  |
| Personnel services                     | 332,392             | 321,612             | 301,737             | 19,875                                     |
| Mileage & Per diem                     | 6,000               | 6,000               | 3,675               | 2,325                                      |
| Fees and Services                      | -                   | 7,723               | 9,825               | (2,102)                                    |
| Office expenses                        | 9,160               | 7,500               | 13,892              | (6,392)                                    |
| Building expenses ( rent/maintenan     | 9,500               | 9,500               | 2,654               | 6,846                                      |
| Supplies                               | 3,000               | 1,000               | 5,320               | (4,320)                                    |
| Election Expenses                      | 250                 | -                   | 250                 | (250)                                      |
| Education                              | 8,600               | 12,833              | 25,591              | (12,758)                                   |
| Advertising and Public Relations       | 1,800               | 3,000               | 3,538               | (538)                                      |
| Dues & board fees                      | 5,000               | 7,960               | 5,600               | 2,360                                      |
| Field supplies                         | 4,000               | 6,200               | 8,969               | (2,769)                                    |
| Postage expense                        | 525                 | 525                 | 421                 | 104  |
| Land Management needs                  | -                   | 2,650               | 5,669               | (3,019)                                    |
| Contractual , Services                 | 12,120              | 14,120              | 9,591               | 4,529                                      |
| Utilities                              | 7,800               | 7,000               | 6,784               | 216  |
| Insurance                              | 5,300               | 6,000               | 2,016               | 3,984                                      |
| Annual audit expenses                  | 3,340               | 3,338               | 3,582               | (244)                                      |
| Accountant                             | 12,000              | 8,000               | 10,891              | (2,891)                                    |
| Financial Assistance Programs          | 50,000              | 40,000              | 29,298              | 10,702                                     |
| Miscellaneous                          | 1,200               | 200                 | 49                  | 151  |
| University grant                       | 21,914              | 21,914              | -                   | 21,914                                     |
| Miscellaneous & Vehicle Expenses       | 800                 | -                   | -                   | -  |
| RACA Habitat Restoration               |                     | -                   | 59,643              | (59,643)                                   |
| Conservation fund - EVUGP              | 17,500              | 4,900               | -                   | 4,900                                      |
| Brush control expenses                 | 1,000               | -                   | -                   | -  |
| Other Debt Service                     | 694                 | -                   | -                   | -  |
| Capital Outlay                         | -                   | 34,500              | -                   | 34,500                                     |
|  | <u>513,895</u>      | <u>526,475</u>      | <u>508,994</u>      | <u>17,481</u>                              |
| Revenues over (under) expenses         | \$ <u>(139,827)</u> | \$ <u>(104,593)</u> | \$ <u>(130,432)</u> | \$ <u>(25,839)</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)

Generally financial statements that are made available to public are prepared using such accounting and reporting framework that caters the general decision-making needs of general users and thus called general purpose financial reporting framework and financial statements prepared using such framework are called general purpose financial statements. On the other hand, a framework that caters the special needs of specific users of financial statements then such framework is called special purpose financial reporting framework and financial statements prepared under such framework will be called special purpose financial statements.

Special purpose framework is considered special because it differs most of the time significantly from the requirements of general-purpose framework. It does not necessarily have to have all the qualities and characteristics of general-purpose framework, but such framework is designed to best suit the information needs of specific user(s).

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.



NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

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 general 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Reporting Entity (Continued)

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.

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, 2019

The report contents were discussed at an exit conference held on December 28, 2019 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 |
|------------------------------------|-----------|