

**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, 2018**

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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**STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT
OFFICIAL ROSTER
Fiscal Year Ending June 30, 2018**

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
District Manager	Madeline Miller
Association Supervisors:	Jim Lane
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 Wayne A. Johnson
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, 2018. The District's management is responsible for its financial reporting as described above. This agreed-upon procedures engagement was conducted in accordance with AICPA Statements on Standards for Attestation Engagements (Clarified), AT-C Section 215 for agreed-upon procedures engagements. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osanm.org under "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 \$336,342 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 November 2017 was performed 37 days after the statement date, October 2017 was performed 37 days after the statement date, September 2017 was performed 69 days after the statement date and August 2017 was performed 99 days after the statement date and July 2017 was performed 129 days after

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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.

- 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 2017, December 2017, March 2018, and June 2018 were not accurate as there is a reconciliation variance of \$665, \$173, \$181, and \$3,732 between the book balance per reconciliation and book balance per the financial statements. See finding 2016-001

- c) Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

We determined that all the bank accounts at no time exceeded the insured limits provided by the FDIC of \$250,000, except for the operating account which had a balance of \$250,553 at 06/30/2018 and \$287,355 at 12/31/2017 respectively. The District produced pledged collateral documentation provided by the financial institution as required by Section 6-10-17 NMSA 1978, NM Public Money Act.

3. Capital Assets

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

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.

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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 randomly selected a sample of 20 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 that one of the items selected has partial supporting documentation, the district did not provide supporting documentation for one receipt amounting to \$85. See finding 2018-001.

- 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 20 receipts (99% of total dollar amount) and we traced the amounts recorded in the general ledger and comparing to the supporting documentation for proper coding and distribution. We noted that one of the items selected has partial supporting documentation, the district did not provide supporting documentation for one receipt amounting to \$85. See finding 2018-001.

6. Expenditures

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

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- 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 (33% 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 one disbursement amounting to \$12,768.55. 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 one disbursement amounting to \$12,768.55. 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.

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 2018 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 documentation to show that the journal entries are being reviewed and approved at year end.

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

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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 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.

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

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

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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 15, 2018

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, 2018

	<u>Budgeted Amount</u>		<u>Actual Cash Basis</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u>
				<u>(Unfavorable Actual to Final Budget)</u>
Revenue				
NMDA State Allotment	\$ 14,500	\$ 14,500	\$ 13,641	\$ (859)
Rental Income Rio Abajo	-	-	-	-
Property Tax Revenues	319,425	319,425	335,466	16,041
Miscellaneous	3,935	3,935	446	(3,489)
Grant Income	-	-	17,500	17,500
Federal Grants	185,729	185,729	-	(185,729)
Capital Outlay Funded	34,500	34,500	-	(34,500)
Interest Income	750	750	429	(321)
	<u>558,839</u>	<u>558,839</u>	<u>367,482</u>	<u>(191,357)</u>
Expenses				
Personnel services	294,289	294,289	282,079	12,210
Mileage & Per diem	5,000	5,000	6,892	(1,892)
Grant Direct costs	26,538	26,538	39,018	(12,480)
Supplies	14,098	14,098	16,873	(2,775)
Operating	32,135	32,135	12,870	19,265
Education	27,115	27,115	44,941	(17,826)
Dues & board fees	7,820	7,820	5,472	2,348
Postage	500	500	540	(40)
Utilities	8,100	8,100	7,186	914
Insurance	5,300	5,300	2,016	3,284
Financial Assistance Programs	75,000	75,000	27,901	47,099
Miscellaneous	1,800	1,800	1,962	(162)
Election Expenses	-	-	-	-
Miscellaneous & Vehicle Expense	800	800	-	800
Reserve Funds	-	-	-	-
University Grants	36,363	36,363	-	36,363
Federal Grants	185,729	185,729	-	185,729
Private Grants	-	-	-	-
Capital Outlay	34,500	34,500	-	34,500
	<u>755,087</u>	<u>755,087</u>	<u>447,750</u>	<u>307,339</u>
Revenues over (under) expenses	\$ <u>(196,248)</u>	\$ <u>(196,248)</u>	\$ <u>(80,268)</u>	\$ <u>115,982</u>

Blue - Not Cash In Workbook and Debt Entry Cash

NUMBER TOTAL ALL GOVERNMENT DEPARTMENT LATER THAN ONE MONTH AFTER THE CLOSE OF EACH QUARTER. I HEREBY CERTIFY THAT THE CONTENTS OF THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.

REPORT FOR FINANCIAL QUARTERLY REPORT FORM
 LOCAL GOVERNMENT SERVICE
 SPECIAL DISTRICT FINANCIAL QUARTERLY REPORT FORM

Prepared by: Madeline Miller

Special District: VALENCIA SOIL AND WATER CONSERVATION DISTRICT
 Quarter Ending: 03/31/2018
 Prepared by: Madeline Miller

QUARTERLY YEAR TO DATE TRANSACTIONS PER BOOKS

FUND TITLE	FUND NUMBER	UNAUDITED BEGINNING CASH BALANCE PER JAN. 11	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 (G)	101	641,751	-	367,748	1,702	411,480	642,978	27,986	315	-	669,659	688,632	18,973
INTERGOVERNMENTAL GRANTS	218	3,629	-	-	(1,499)	-	-	-	-	-	2,130	-	2,130
OTHER	299	-	-	-	-	464	-	-	-	-	464	-	464
DEBT SERVICE	400	(415)	-	-	118	-	401	-	-	-	401	-	401
Grand Total		\$ 650,965	\$ -	\$ 367,748	\$ -	\$ 411,714	\$ 646,359	\$ 27,986	\$ 251	\$ -	\$ 673,092	\$ 688,632	\$ 15,540

SPECIAL DISTRICT: ALENCIA SOIL AND WATER CONSERVATION DISTRICT
 QUARTER ENDING: 6/30/18

REVENUES	CURRENT QUARTER	YEAR TO DATE	APPROVED BUDGET
General Fund 101 (enter items below)			
NMDA STATE ALLOTMENT	-	13,641	14,500
RENTAL INCOME RIO ABAJO	-	-	-
PROPERTY TAX REVENUES	117,905	335,467	319,425
MISCELLANEOUS	687	1,160	3,935
GRANT INCOME	-	17,500	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
Subtotal General Fund Revenues	\$ 118,592	\$ 367,768	\$ 337,860
Other Financing Sources: Transfers In	3,049	3,049	-
Transfers Out	1,129	1,129	-
Total Transfers	\$ 1,920	\$ 1,920	\$ -
TOTAL GENERAL FUND REVENUES	\$ 120,512	\$ 369,688	\$ 337,860
Intergovernmental Grants 218 (enter items below)			
Federal Grants	-	-	185,729
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
Subtotal Intergovernmental Grants Revenues	\$ -	\$ -	\$ 185,729
Other Financing Sources: Transfers In	-	-	-
Transfers Out	3,049	3,049	-
Total Transfers	\$ (3,049)	\$ (3,049)	\$ -
TOTAL INTERGOV. GRANT REVENUES	\$ (3,049)	\$ (3,049)	\$ 185,729
Other 299 (enter items below)			
Capital Outlay	-	-	34,500
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
Subtotal Other 299 Revenues	\$ -	\$ -	\$ 34,500
Other Financing Sources: Transfers In	-	-	-
Transfers Out	-	-	-
Total Transfers	\$ -	\$ -	\$ -
TOTAL OTHER REVENUES	\$ -	\$ -	\$ 34,500
Debt Service 400			
General Obligation Bonds			
General Obligation - (Property tax)	-	-	750
Investment Income	-	-	-
Other - Misc	-	-	-
Revenue Bonds			
Bond Proceeds	-	-	-
Revenue Bonds - GRT	-	-	-
Investment Income	-	-	-
Revenue Bonds - Other	-	-	-
Miscellaneous(NMFA, BOF, etc.)	-	-	-
	-	-	-
Subtotal Debt Service Fund Revenues	\$ -	\$ -	\$ 750
Other Financing Sources: Transfers In	1,129	1,129	-
Transfers Out	-	-	-
Total Transfers	\$ 1,129	\$ 1,129	\$ -
TOTAL DEBT SERVICE REVENUES	\$ 1,129	\$ 1,129	\$ 750
GRAND TOTAL REVENUES	\$ 118,592	\$ 367,768	\$ 558,839

SPECIAL DISTRICT: AND WATER CONSERVATION DISTRICT
 QUARTER ENDING: 6/30/18

EXPENDITURES	CURRENT QUARTER	YEAR TO DATE	APPROVED BUDGET
General Fund 101 (enter items below)			
500- PERSONNEL SERVICES ✓	83,152.53	285,604	294,289 ✓
520-MILEAGE & PER DIEM ✓	2,248	6,892	5,000 ✓
530-FEES & SERVICES ✓	6,067	26,030	13,120 ✓
540-OFFICE EXPENSE ✓	2,178	9,780	9,195 ✓
550-BUILDING EXPENSE ✓	-	6,388	18,515 ✓
560-SUPPLIES ✓	486	2,357	2,000 ✓
570- ELECTION EXPENSE	-	-	-
580-EDUCATION EXPENSE ✓	34,539	42,723	25,515 ✓
600-ADVERTISING & PUBLIC RELATIONS ✓	811	2,218	1,600 ✓
620-DUES & BOARD FEES ✓	1,147	5,852	7,820 ✓
630-FIELD SUPPLIES ✓	1,827	4,811	903 ✓
640-POSTAGE EXPENSE ✓	17	540	500 ✓
660-BRUSH CONTROL EXPENSE ✓	359	734	6,118 ✓
670-CONTRACTUAL SERVICES ✓	1,998	2,449	7,925 ✓
680-ALL UTILITIES	1,893	7,186	8,100 ✓
710-MISCELLANEOUS & VEHICLE EXPENSE ✓	-	-	800 ✓
800-INSURANCE ✓	-	2,016	5,300 ✓
ANNUAL AUDIT ✓	-	3,338	5,000 ✓
ACCOUNTANT	3,469	12,254	7,300 ✓
TRAINING & WORKSHOPS	-	-	2,000 ✓
FINANCIAL ASSISTANCE PROGRAM ✓	18,012	27,901	75,000 ✓
MISCELLANEOUS ✓	1,023	1,967	1,800 ✓
TOTAL GENERAL FUND EXPENDITURES	\$ 139,226	\$ 451,040	\$ 497,800
Intergovernmental Grants 218 (enter items below)			
University Grant - Bosque Ecosystem Monitoring Program (BEMP)	-	-	36,363 ✓
Federal Grants	-	-	185,729 ✓
National Association of Conservation Districts	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
TOTAL INTERGOV. GRANT EXPENDITURES	\$ -	\$ -	\$ 222,092
Other 299 (enter items below)			
ALL OTHER INSURANCE	-	-	-
WATER TRUST BOARD Loan (C-P SWCD Fiscal Agent)	-	-	-
Capital Outlay	-	-	34,500 ✓
	-	-	-
	-	-	-
	-	-	-
	-	-	-
TOTAL OTHER EXPENDITURES	\$ -	\$ -	\$ 34,500
Debt Service 400			
Bond Payments Principal	-	-	-
Bond Payments- Interest	-	-	-
Other Debt Service - Water Trust Board loan (10 year)	694	694	695 ✓
TOTAL DEBT SERVICE EXPENDITURES	\$ 694	\$ 694	\$ 695
GRAND TOTAL EXPENDITURES	\$ 139,921	\$ 451,734	\$ 755,087

DEBT SERVICE
SPECIAL DISTRICT: WATER CONSERVATION DISTRICT

Fund Number: **400**
 Quarter Ending: **6/30/18**

(A) NAME AND TYPE	(B) DATE OF ISSUE	(C) ORIGINAL FACE AMOUNT OF ISSUE	(D) OUTSTANDING PRINCIPAL AMOUNT (Unpaid)	(E) COUPON RATE OF INTEREST	(F) PRINCIPAL DUE	(G) INTEREST DUE
Water Trust Board Loan - GRGWA restoration project	4/1/2010	6,945	2,778	0.0%	695	-
		-	-	0.0%	-	-
		0700/0000	-	0.0%	-	-
		0000/0000	-	0.0%	-	-
		0000/0000	-	0.0%	-	-
		0000/0000	-	0.0%	-	-
		0000/0000	-	0.0%	-	-
		0000/0000	-	0.0%	-	-
		0000/0000	-	0.0%	-	-
		0000/0000	-	0.0%	-	-
TOTAL		6,945	2,778		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: 06/30/18

BUDGETED TRANSFERS * OTHER FINANCING SOURCES/ USES	Current Quarter	Year to Date
Transfers In Fund 101 (e.g. 500)	3,049	3,049
Transfers In Fund 218		
Transfers In Fund 299		
Transfers In Fund 400		
A SUB-TOTAL	1,129	1,129
Transfers Out Fund 101 (e.g. 500)	4,178	4,178
Transfers Out Fund 218	1,129	1,129
Transfers Out Fund 299	3,049	3,049
Transfers Out Fund 400	-	-
B SUB-TOTAL	-	-
A - B Total Net Transfers	4,178	4,178
	\$ -	\$ -

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, 2018

Prior Year Findings:

Finding 2016-001 – Bank Reconciliations	Repeated
Finding 2016-003 - Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC)	Resolved
Finding 2017-001 – Review and approval of journal entries	Resolved
Finding 2016-004 – Incorrect calculation of payroll and payroll related items	Resolved

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 Receipts and Disbursements	Significant Deficiency

STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED JUNE 30, 2018

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 November 2017 was performed 37 days after the statement date, October 2017 was performed 37 days after the statement date, September 2017 was performed 69 days after the statement date and August 2017 was performed 99 days after the statement date and July 2017 was performed 129 days after the statement date. All monthly bank reconciliations for the operating account were examined without exception. 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 2017, December 2017, March 2018, and June 2018 were not accurate as there is a reconciliation variance of \$665, \$173, \$181, and \$3,732 between the book balance per reconciliation and book balance per the financial statements. 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.

STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED JUNE 30, 2018

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, 2018

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

Condition:

The district did not provide the supporting documentation for one disbursement amounting to \$12,768.55. The district did not provide supporting documentation for one receipt amounting to \$85.

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 receipts and 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 receipt and disbursement, to help determine that receipts and disbursements recorded are complete, accurate and timely.

Management's Response:

The District Chairman will ensure effective immediately that every Board member receive a copy of the financial statements showing all transactions including all receipts and disbursements. Along with every receipt and disbursement going forward the District Chairman will ensure that there will be supporting documentation for the transactions.

**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, 2018**

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

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Compilation Report of Independent Public Accountant

Abel Camarena, Chairman
Valencia Soil and Water Conservation District
and
Honorable Wayne A. Johnson
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, 2018, 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 15, 2018

STATE OF NEW MEXICO
 VALENCIA SOIL AND WATER CONSERVATION DISTRICT
 BALANCE SHEET
 June 30, 2018

	General Fund
ASSETS	
Cash and cash equivalents	\$ 570,130
Accounts Receivable	<u>13,424</u>
Total assets	\$ <u><u>583,554</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Claunch Pinto SWCD WTB	<u>2,083</u>
Payroll Clearing	<u>(253)</u>
Total liabilities	<u>1,830</u>
FUND BALANCES	
Restricted, special revenues	214,076
Unassigned	<u>367,648</u>
Total fund balances	<u>581,724</u>
Total liabilities and fund balances	\$ <u><u>583,554</u></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, 2018

	<u>General Fund</u>
Revenues	
Mill Levy - Valencia	\$ 266,786
Mill Levy - Socorro	68,680
NMDA Allotment	13,641
Donations	76
Interest Income	429
Whitfield Sales	370
Grant Income	17,500
Total Revenues	<u>367,483</u>
Expenses	
Personnel services	282,079
Mileage & Per diem	6,892
Grant Direct costs	39,018
Supplies	16,873
Operating	12,870
Education	44,941
Dues & board fees	5,472
Postage	540
Utilities	7,186
Insurance	2,016
Financial Assistance Programs	27,901
Miscellaneous	1,962
Total Expenses	<u>447,749</u>
Net change in fund balances	(80,266)
Fund balance, beginning of year	<u>659,768</u>
Fund balance, end of year	<u>\$ 579,502</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, 2018

	Budgeted Amount		Actual Cash Basis	Variances
	Original	Final		Favorable
				(Unfavorable Actual to Final Budget)
Revenue				
NMDA State Allotment	\$ 14,500	\$ 14,500	\$ 13,641	\$ (859)
Rental Income Rio Abajo	-	-	-	-
Property Tax Revenues	319,425	319,425	335,466	16,041
Miscellaneous	3,935	3,935	446	(3,489)
Grant Income	-	-	17,500	17,500
Federal Grants	185,729	185,729	-	(185,729)
Capital Outlay Funded	34,500	34,500	-	(34,500)
Interest Income	750	750	429	(321)
	<u>558,839</u>	<u>558,839</u>	<u>367,482</u>	<u>(191,357)</u>
Expenses				
Personnel services	294,289	294,289	282,079	12,210
Mileage & Per diem	5,000	5,000	6,892	(1,892)
Grant Direct costs	26,538	26,538	39,018	(12,480)
Supplies	14,098	14,098	16,873	(2,775)
Operating	32,135	32,135	12,870	19,265
Education	27,115	27,115	44,941	(17,826)
Dues & board fees	7,820	7,820	5,472	2,348
Postage	500	500	540	(40)
Utilities	8,100	8,100	7,186	914
Insurance	5,300	5,300	2,016	3,284
Financial Assistance Programs	75,000	75,000	27,901	47,099
Miscellaneous	1,800	1,800	1,962	(162)
Election Expenses	-	-	-	-
Miscellaneous & Vehicle Expense	800	800	-	800
Reserve Funds	-	-	-	-
University Grants	36,363	36,363	-	36,363
Federal Grants	185,729	185,729	-	185,729
Private Grants	-	-	-	-
Capital Outlay	34,500	34,500	-	34,500
	<u>755,087</u>	<u>755,087</u>	<u>447,750</u>	<u>307,339</u>
Revenues over (under) expenses	\$ <u>(196,248)</u>	\$ <u>(196,248)</u>	\$ <u>(80,268)</u>	\$ <u>115,982</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 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.

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, 2018

The report contents were discussed at an exit conference held on December 15, 2018 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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