

STATE OF NEW MEXICO
CABALLO SOIL AND WATER CONSERVATION DISTRICT

Tier 5 of the Audit Act Report

Year Ended June 30, 2017

STATE OF NEW MEXICO
CABALLO SOIL AND WATER CONSERVATION DISTRICT
Garfield, New Mexico
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STATE OF NEW MEXICO
CABALLO SOIL AND WATER CONSERVATION DISTRICT
Garfield, New Mexico
Official Roster

Hector Mendoza	Chairman
Harvey Morrow	Vice-Chair
Samantha Gillis	Secretary/Treasurer
Dee Wear	Member
Frank Garay	Member
Casey McGuire	Member
Slim Whitlock	Member



Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Hector Mendoza, Chairman
and Members of the Board of Supervisors
Caballo Soil and Water Conservation District
and Timothy Keller, New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by Caballo Soil and Water Conservation District (District) on performing an agreed-upon procedures engagement for Tier 5 of the Audit Act (Section 12-6-1 et seq., NMSA 1978) for the year ended June 30, 2017. The procedures were agreed to by the District through the Office of the New Mexico State Auditor. The management of the Caballo Soil and Water Conservation District is responsible for the company's accounting records. 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 associated 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 Caballo 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 Caballo Soil and Water Conservation District falls under Tier 5.

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.

The District has four bank accounts. Reconciliations for three bank accounts were performed on a timely basis, and bank statements for the fiscal year were complete and on-hand for those three bank accounts.

Reconciliations for its fourth bank account, i.e. Ralph watershed bank account were performed on a quarterly basis because it is a savings account.

- 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.

Random tests of bank reconciliations revealed no reconciliation variances for three bank accounts for the bank reconciliations performed on June 30, 2017.

The district submitted a quarterly financial report to Department of Finance and Administration (DFA) for the fourth quarter of the fiscal year 2017. LGIP balance of \$23,412.04 was added to the general fund and presented in the DFA report. The sum of LGIP balance and General fund was over stated in the DFA report by \$3,180.37 and the total of Ralph watershed and underwood watershed was understated by \$38.73 in the DFA report. In total, there was a difference of \$3,141.64 between the DFA report and cash balance obtained from district's general ledger. See finding 2016-002

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

The district's deposits were properly collateralized as required by Section 6-10-17 NMSA 1978, NM Public Money Act.

3. Capital assets

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

The District performed a yearly inventory as required by Section 12-6-10 NMSA 1978.

4. Revenue

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

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

Analytical review and test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions.

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

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

Amounts recorded in the general ledger agreed to the supporting documentation and the bank statement.

- 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.

Transactions were properly recorded on a cash basis as to amount, classification, and period as determined by the review of supporting documentation.

5. Expenditures

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

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

Amounts recorded as disbursed agreed to supporting documentation. Amount paid, payee, date and description agree with the vendor's invoice, purchase order, contract and cancelled check as appropriate.

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

Disbursements were properly authorized and approved in compliance 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 (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).

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)

6. Journal Entries

Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.

The District uses Quicken to record transactions on a cash basis, no journal entries were prepared.

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

The District uses Quicken to record transactions on a cash basis, no journal entries were prepared.

7. 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.

A review of the minutes and correspondence revealed that the original budget was approved by the District board and DFA-LGD.

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

Total actual expenditures did not exceed the final budget at the total fund level, 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.

Schedules of revenues and expenditures – budget to actual, cash basis, were prepared for the general fund and the watershed fund.

8. Capital Outlay Appropriations

Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year that meet the Tier 5 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.

The amount recorded as disbursed agrees to adequate supporting documentation. The 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.

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. I NMAC).

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. I NMAC)

- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.

The physical existence of capital asset was observed during fiscal year 2016 agreed upon procedures (AUP). All of the expenses incurred in fiscal year 2017 were related to supplies, fuel and delivery, wages and equipment rent and return fee. Supporting documents were reviewed for such expenses and are considered sufficient.

- 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.

Status reports were submitted to the state agency per terms of agreement.

- 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.

The project was not funded in advance. The funding is based on reimbursement from New Mexico State University (NMSU). The district incurs expenditures and then provides NMSU accounts payable with invoices and supporting documents for reimbursement. Not applicable.

- 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.

Supporting documents were reviewed to determine that the unexpended balance of \$50,443.91 was reverted. No exceptions noted.

- 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.

The funding is based on reimbursement from New Mexico State University (NMSU). The district incurs expenditures and then provides NMSU accounts payable with invoices and supporting documents for reimbursement.

- 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.

Reimbursement requests were properly supported by costs incurred by the recipient. The costs were paid by the local public body prior to the request for reimbursement.

9. Other

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(l) (3) (C) NMAC.

No information indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies was identified.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Beasley, Mitchell & Co., LLP

Las Cruces, New Mexico

December 6, 2017

STATE OF NEW MEXICO
 CABALLO SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (CASH BASIS)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Mil levy/Property Tax	\$ 60,000	\$ 60,000	\$ 71,861	\$ 11,861
Seeding sales	2,000	2,000	856	(1,144)
State funding	14,700	14,700	13,014	(1,686)
NMDA Capital Outlay	175,000	175,000	124,654	(50,346)
Interest Income	60	60	198	138
Total revenues	251,760	251,760	210,583	(41,177)
Expenditures				
PERSONNEL SERVICE				
Salaries and benefits	21,000	21,000	11,829	9,171
Totals	21,000	21,000	11,829	9,171
ADMINISTRATIVE				
Dues and board fees	1,000	1,000	800	200
Annual Audit/Financial report expenses	3,100	3,100	2,058	1,042
Mileage and PerDiem	2,300	2,300	1,309	991
Totals	6,400	6,400	4,167	2,233
OPERATIONAL				
Building expenses	3,700	3,700	3,506	194
Utilities	4,200	4,200	3,105	1,095
Meeting expense	600	600	503	97
Office supplies and other expenses	700	700	2,305	(1,605)
Capital outlay expenses	175,000	175,000	36,668	138,332
Advertising and public relations	700	700	209	491
Training, workshops and education expense	500	500	521	(21)
Conservation and environmental control expenses	1,000	1,000	890	110
Dam operation and maintenance	80,000	80,000	3,075	76,925
Bonding	1,200	1,200	1,389	(189)
Awards and presentations	150	150	90	60
Conservation projects	1,500	1,500	-	1,500
seeding program	2,000	2,000	1,053	947
Miscellaneous	100	100	1,896	(1,796)
Totals	271,350	271,350	55,210	216,140
Total expenditures	\$ 298,750	\$ 298,750	\$ 71,206	\$ 227,544
Excess revenues over expenditures			\$ 139,377	\$ (268,721)

STATE OF NEW MEXICO
 CABALLO SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (CASH BASIS)
 WATERSHED FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actuals</u>	Variance
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Revenues				
Mil levy	\$ 1,648	\$ 1,648	\$ 1,646	\$ (2)
Interest income	-	-	-	-
	<u>1,648</u>	<u>1,648</u>	<u>1,646</u>	<u>(2)</u>
Total revenues				
Expenditures				
Administrative	-	-	-	-
Miscellaneous	900	900	-	900
	<u>\$ 900</u>	<u>\$ 900</u>	<u>\$ -</u>	<u>\$ 900</u>
Total expenditures				
Excess revenues over expenditures			<u>\$ 1,646</u>	<u>\$ 898</u>

STATE OF NEW MEXICO
 CABALLO SOIL AND WATER CONSERVATION DISTRICT
 CAPITAL OUTLAY SUMMARY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Capital Outlay Award No.	Amount Awarded	Amount received	Amount expended	Remaining balance	Actual Legislation	Effective dates
1	\$ 175,000	\$ 124,653.49	\$ 124,653.49	\$ 50,346.51	Pursuant to FY 2013 Senate Bill 60, Section 42, Paragraph 3: to construct the rehabilitation of the Garfield watershed structure for the Caballo soil and water Conservation District in Dona Ana County	Through June 30, 2017
2	\$ 90,000	\$ 89,902.60	\$ 89,902.60	\$ 97.40	Pursuant to Senate Bill 1, Section 39, Paragraph 3: to remove sediment from the Garfield dam and to plan, design, and construct a road to the sediment dump site for the Caballo soil and water conservation district in Dona Ana County.	Through June 30, 2017

DEPARTMENT OF FINANCE AND ADMINISTRATION (DFA)
 LOCAL GOVERNMENT DIVISION (LGD)
 BUDGET AND FINANCE BUREAU
 SOIL AND WATER CONSERVATION DISTRICT
 QUARTERLY YEAR TO DATE FINANCIAL REPORT

PLEASE SUBMIT 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.

Soil and Water Conservation District: Caballo SWCD

Period Ending: 06/30/17

x/s/ Susan Downs

YEAR TO DATE T R A N S A C T I O N S P E R B O O K S Q U A R T E R L Y R E P O R T

Fund #	FUND (1)	CASH BALANCE PER BOOKS July 1, 2016 (2)	REVENUES TO DATE (3)	NET TRANSFERS (4)	EXPENDITURES TO DATE (5)	BOOK BALANCE END OF PERIOD (6)	ADD: OUTSTANDING CHECKS (7)	LESS: DEPOSITS IN TRANSIT (8)	ADJUSTMENTS (9)	ADJUSTED BALANCE END OF PERIOD (10)	BALANCE PER BANK STATEMENTS (11)	DIFFERENCE (12)
101	GENERAL FUND	\$ 200,486.00	210,583	-	71,205	339,864				339,864		339,864
218	INTERGOVERNMENTAL GRANTS			-	-	-				-		-
299	OTHER	\$ 33,339.00	1,646	-	-	34,985				34,985		34,985
400	DEBT SERVICE			-	-	-				-		-
	GRAND TOTAL	\$ 233,825	\$ 212,229	\$ -	\$ 71,205	\$ 374,849	\$ -	\$ -	\$ -	\$ 374,849	\$ -	\$ 374,849

NOTE: DETAIL PAGES will complete the Recap except for Cash Per Books on July 1.

*USER NOTES: (Please describe what any reserve requirements are used for).

SWCD:
Caballo SWCD

Period Ending: 6/30/2017

EXPENDITURES	CURRENT QUARTER	YEAR TO DATE	APPROVED BUDGET	% OF BUDGET
GENERAL FUND 101				
Personnel Services, (Salaries and Benefits)	2,463	11,829	21,000	0.56328571
Mileage and Per Diem	589	1,309	2,300	0.56913043
Vehicle Expense (Insurance, gas, maintenance)	0	0	0	
Building Expenses (e.g. rent/maintenance)	2,995	3,506	3,700	0.94756757
Utilities (Electricity, Natural Gas, Propane, Water, Sewer)	635	3,105	4,200	0.73928571
Telephone	0	0	0	
meeting expense	285	503	600	0.83833333
OfficeSupplies and Other Expenses	276	2,305	700	3.29285714
Capital Outlay Expenses/Capital Projects	36,668	36,668	175,000	0.20953143
Advertising and Public Relations (e.g. newsletter)	210	209	700	0.29857143
Training, Workshops & Education expense		521	500	1.04126
Annual Audit/Financial Report Expenses	2,058	2,058	3,100	0.66387097
Dues and Board Fees	800	800	1,000	0.8
Conservation and Environmental Control Expenses	890	890	1,000	0.89
Dam Operation & Maintenance	0	3,075	80,000	0.0384345
Bonding	1,389	1,389	1,200	1.1575
Awards and Presentations	0	90	150	0.59953333
Conservation Projects	0	0	1,500	0
seedling program	1,053	1,053	2,000	0.5265
Miscellaneous (e.g. Meetings)	149	1,896	100	18.96
	0	0	0	
	0	0	0	
	0	0	0	
Total General Fund Expenditures	\$ 50,460	\$ 71,205	\$ 298,750	0.23834417
Intergovernmental Grants Expenditures 218				
State or University Grants	0	0	0	
Federal Grants	0	0	0	
State Grants	0	0	0	
Local Grants	0	0	0	
Private Grants	0	0	0	
Legislative Funding	0	0	0	
Other	0	0	0	
Total Grant Expenditures	\$ -	\$ -	\$ -	
Other Expenditures 299				
Loan Payments	0	0	0	
Capital Outlay Expenses/Capital Projects	0	0	0	
Conservation and Environmental Control Expenses	0	0	0	
Bonding	0	0	0	
All Other Insurance	0	0	0	
Loan Program Expenses including Loan Repayments	0	0	0	
Miscellaneous Expenses	0	0	900	0
OTHER FUND 299 FROM DETAIL TAB	0	0	0	
Total Other Expenditures	\$ -	\$ -	\$ 900	0
Debt Service 400				
Bond Payments Principal	0	0	0	
Bond Payments- Interest	0	0	0	
Other Debt Service	0	0	0	
Total Debt Service Expenditures	0	0	0	
TOTAL EXPENDITURES Current Quarter	\$ 50,460	\$ 71,205	\$ 299,650	0.2376283

NOTE: If this report is for the first quarter YEAR TO DATE will be the same as the CURRENT QUARTER.

STATE OF NEW MEXICO
CABALLO SOIL AND WATER CONSERVATION DISTRICT
Schedule of Findings and Responses
Year ended June 30, 2017

STATUS OF PRIOR YEAR FINDINGS

2016-003 Late Agreed Upon Procedures (AUP) Report (Significant Deficiency)
(Resolved)

2016-004 Lack of supporting documents for procurement (Significant Deficiency)
(Resolved)

2016-001 Variances in Reconciliation (Material Weakness) (Resolved)

CURRENT YEAR FINDINGS

2016-002 Differences in the cash balances submitted to DFA (Material Weakness)
(Revised and Repeated)

STATE OF NEW MEXICO
CABALLO SOIL AND WATER CONSERVATION DISTRICT
Schedule of Findings and Responses
Year ended June 30, 2017

Differences in the cash balances submitted to DFA (2016-002)- Material Weakness

Condition: The district submitted a quarterly financial report to Department of Finance and Administration (DFA) for the fourth quarter of the fiscal year 2017. LGIP balance of \$23,412.04 was added to the general fund and presented in the DFA report. The sum of LGIP balance and General fund was over stated in the DFA report by \$3,180.37 and the total of Ralph watershed and underwood watershed was understated by \$38.73. In total, there was a difference of \$3,141.64 between the DFA report and cash balance obtained from district's general ledger.

The district started getting differences in cash balances since the change in their accounting software in fiscal year 2016. Due to the lack of a full time accountant, the district could never solve the issue in fiscal year 2017. However, the district has currently contracted an Independent Public Accountant (IPA) to resolve this issue.

Criteria: Per Section 6-6-3 NMSA 1978, every local public body shall:

- 1) Keep all the books, records, and accounts in their respective offices in the form prescribed by the local government division;
- 2) Make all reports as may be required by the local government division; and
- 3) Conform to the rules and regulations adopted by the local government division.

Within Title 2, Chapter 20, Part 5, Public Finance Accounting by Governmental Entities of the New Mexico Administrative Code, The Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

Cause: There was an oversight because of the change in accounting software in fiscal year 2016.

Effect: Cash balances of the district is misstated.

Recommendation: The district should make sure the cash balance reported in the DFA report, and bank reconciliation matches with the cash general ledger.

Response: The district will ensure that the cash balances reported in the DFA report, and bank reconciliation matches with the cash general ledger. The district has contracted an Independent Public Accountant (IPA) to resolve this issue.

Expected Completion Date: 06/30/2018 **Employee Responsible:** Administrative Assistant

STATE OF NEW MEXICO
CABALLO SOIL AND WATER CONSERVATION DISTRICT
Schedule of Findings and Responses
Year ended June 30, 2017

EXIT CONFERENCE

An exit conference was held on November 21, 2017 with Samantha Gillis, Secretary/Treasurer, Caballo Soil and Water Conservation District, Susan Downs, Administrative Assistant, Caballo Soil and Water Conservation District and Merry Jo Fahl, Contract Employee, Caballo Soil and Water Conservation District. Representing Beasley, Mitchell & Co., LLP was Avi Chetry, Staff II Auditor.