

**STATE OF NEW MEXICO  
EAST TORRANCE SOIL AND WATER  
CONSERVATION DISTRICT**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

**For the Year Ended  
JUNE 30, 2013**

**CALHOON ACCOUNTING &  
TAX SERVICES  
ESTANCIA, NM 87016**

**STATE OF NEW MEXICO  
EAST TORRANCE SOIL AND WATER  
CONSERVATION DISTRICT**

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**STATE OF NEW MEXICO  
EAST TORRANCE SOIL AND WATER  
CONSERVATION DISTRICT  
Official Roster  
JUNE 30, 2013**

**Board of Supervisors**

<b>Name</b>	<b>Title</b>
Ryan Schwebach	Chairman
Bill Wrye	Vice-Chairman
Jim Berlier	Secretary/Treasurer
Johnny Lujan	Supervisor
Mike Valdez	Supervisor

**Staff**

Cheri Lujan	District Manager
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**CALHOON ACCOUNTING & TAX SERVICES  
PO BOX 945  
ESTANCIA, NEW MEXICO 87016**

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**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING  
AGREED-UPON PROCEDURES**

Hector H. Balderas  
New Mexico State Auditor  
The Board of Supervisors  
East Torrance Soil and Water Conservation District

I have performed certain agreed-upon procedures, as enumerated below, with respect to East Torrance Soil and Water Conservation District (ETSWCD), for the year ended June 30, 2013. The ETSWCD was determined to be a Tier 4 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by ETSWCD through the Office of the New Mexico State Auditor. ETSWCD's management is responsible for the organization's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I 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.

My procedures and findings are as follows:

**1. CASH**

**Procedures**

- 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. For purposes of performing our procedures "timely" means completion of the bank reconciliations within one month after the last day of the reporting month and "complete" means that statements for bank and investment accounts are all accounted for by the ETSWCD.

- b. Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division (DFA-LGD). For purposes of performing our procedures “accuracy” means that reconciling items agree to deposit slips and subsequent bank or investment statements.
- 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.

**Findings for Procedures 1(a) – 1(c)**

- a. Bank reconciliations are being performed in a timely manner and all statements are complete and on hand and accounted for.
- b. Bank reconciliations are accurate and ending balances traced to the general ledger, as well as, the supporting documentation. Bank balances are reported in the quarterly reports submitted to the Department of Finance-Local Government Division as required by the department.
- c. As of June 30, 2013, Wells Fargo was not providing 50% pledged collateral on the excess of uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act. This has been noted as finding 2013-01 of this report.

**2. CAPITAL ASSETS**

**Procedures**

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

**Findings for Procedure 2**

ETSWCD is performing a yearly inventory as required by Section 12-6-10 NMSA 1978 and maintains a capital asset listing.

### **3. REVENUE**

#### **Procedures**

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.

Selected a sample of revenues and tested for the following attributes:

- b. Amount recorded in the general ledger agrees 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.

#### **Findings for Procedures 3(a) – 3(c)**

- a. Analytical review and test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions.
- b. Amounts recorded on General Ledger generated through QuickBooks agreed with supporting documentation and the bank statements.
- c. Amounts were properly recorded on a cash basis as to classification, amount and period per review of documentation.

#### 4. EXPENDITURES

##### Procedures

Select a sample of cash disbursements and test transactions and test using the following attributes:

- a. Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- b. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. For purposes of performing my procedures, disbursements were considered to be properly authorized if they contained evidence of review such as sign off on invoices or approval through correspondence.
- 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

##### Findings for Procedures 4(a) – 4(c)

- a. Amounts recorded as disbursed agree to adequate supporting documentation. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- b. Disbursements were properly authorized, approved and in compliance with budget, legal requirements and established policies and procedures.
- c. 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

## 5. JOURNAL ENTRIES

### Procedures

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

### Findings for Procedures 5(a) – 5(b)

- a. ETSWCD utilizes QuickBooks to record cash transactions only and does not prepare journal entries other than to record interest on investments. No exceptions were noted.
- b. ETSWCD does not have a policy regarding journal entries or their approval process.

## 6. BUDGET

### Procedures

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 adjustment were approved by the local public body's 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.



- 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.

**Findings for Procedures 6(a) – 6 (c)**

- a. A review of the minutes indicates that the original budget and budget adjustments were approved by ETSWCD and the Department of Finance Administration-Local Government Division (DFA-LGD), as presented in the attached budget report.
- b. Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.
- c. A Schedule of Revenues and Expenditures – Budget and Actual was prepared from the ETSWCD records on the Non-GAAP Budgetary Basis.

**7. OTHER**

**Procedures**

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(0(3) (C) NMAC.

**Findings for Procedure 7**

No additional information indicating any fraud, illegal acts, noncompliance, or internal control deficiencies came to the attention of the auditor.

Hector H. Balderas  
New Mexico State Auditor  
The Board of Supervisors  
East Torrance Soil and Water Conservation District  
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I was not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

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

*Calhoon Accounting + Tax Services*

Calhoon Accounting & Tax Services  
Estancia, New Mexico  
November 20, 2013

STATE OF NEW MEXICO  
EAST TORRANCE SOIL AND WATER CONSERVATION DISTRICT  
Statement of Revenues and Expenditures  
Budget and Actual (Cash Basis)  
General Fund  
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Mill levy	\$ 108,000	\$ 115,001	\$ 117,949	\$ 2,948
New Mexico General Fund	13,125	13,125	12,990	(135)
SWCC Grants	7,635	7,635	7,635	-
Sales revenue - tree and seed sales	3,900	3,900	4,212	312
NMACDE Training	150	150	0	(150)
BLM Agreement	4,200	4,200	800	(3,400)
HB Junior Bill	54,800	54,800	54,800	-
Reimbursements	5,500	5,500	5,811	311
Reimbursements	-	-	119	119
<i>Total revenues</i>	<u>197,310</u>	<u>204,311</u>	<u>204,316</u>	<u>5</u>
<i>Expenditures:</i>				
Advertisements	2,000	2,000	1,861	139
Audits	3,700	3,700	0	3,700
BLM agreement	4,200	4,200	800	3,400
Building construction/equipment	1,000	1,000	2,999	(1,999)
Contract Labor	19,500	19,500	16,257	3,243
Cost share payments	129,350	129,350	12,927	116,423
Dues	3,600	3,600	3,784	(184)
Ed building expenses	3,200	3,200	0	3,200
Equipment	1,800	1,800	4,757	(2,957)
Health insurance	6,000	6,000	5,900	100
Insurance bond	175	175	162	13
Mileage and per diem	500	500	0	500
NM Envirothon	250	250	250	-
NMACD annual meeting	1,500	1,500	795	705
NMACD summer meeting	1,500	1,500	726	774
Office expense	5,500	5,500	3,105	2,395
Payroll	56,000	56,000	49,108	6,892
Payroll taxes	8,500	8,500	4,275	4,225
PERA	4,000	4,000	3,044	956
Postage	3,200	3,200	1,914	1,286
Professional development	5,000	5,000	260	4,740
Soil stewardship	1,000	1,000	1,189	(189)
Special project fees	129,350	136,351	5,138	131,213
SWCC grant for EBWPC	7,635	7,635	7,635	-
SWCD annual meeting	2,400	2,400	2,545	(145)
Tree cost	3,600	3,600	4,614	(1,014)
Water fair	500	500	75	425
<i>Total expenditures</i>	<u>404,960</u>	<u>411,961</u>	<u>134,120</u>	<u>277,841</u>
Excess (Deficiency) of revenues over expenditures	<u>(207,650)</u>	<u>(207,650)</u>	<u>\$ 70,196</u>	<u>\$ -</u>
Budgeted cash carryover	<u>207,650</u>	<u>207,650</u>		
Budgeted ending cash balance	<u>\$ -</u>	<u>\$ -</u>		

**STATE OF NEW MEXICO  
EAST TORRANCE SOIL AND WATER  
CONSERVATION DISTRICT  
Department of Finance and Administration  
Year-end Quarterly Report  
JUNE 30, 2013**

**DEPARTMENT OF FINANCE AND ADMINISTRATION  
LOCAL GOVERNMENT DIVISION  
BUDGET AND FINANCE BUREAU  
SOIL AND WATER CONSERVATION DISTRICT QUARTERLY FINANCIAL REPORT**

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.

S.W.C.D.: East Torrance Soil & Water Conservation District  
Period Ending: 6/30/2013

YEAR TO DATE TRANSACTIONS PER BOOKS QUARTERLY REPORT

Fund #	FUND (1)	CASH BALANCE PER BOOKS July 1, 2012 (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	207,651	204,317	-	134,120	275,572	4,154	-	-	279,725	279,725	-
299	OTHER	-	-	-	-	-	-	-	-	-	-	-
400	DEBT SERVICE	-	-	-	-	-	-	-	-	-	-	-
	<b>GRAND TOTAL</b>	<b>\$ 207,651</b>	<b>\$ 204,317</b>	<b>\$ -</b>	<b>\$ 134,120</b>	<b>\$ 275,572</b>	<b>\$ 4,154</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 279,725</b>	<b>\$ 279,725</b>	<b>\$ -</b>

NOTE: USE DETAIL PAGES FROM ANNUAL BUDGET FORM IF NEEDED.

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

STATE OF NEW MEXICO  
 EAST TORRANCE SOIL AND WATER  
 CONSERVATION DISTRICT  
 Department of Finance and Administration  
 Year-end Quarterly Report  
 JUNE 30, 2013

REVENUES	CURRENT QUARTER	YEAR TO DATE	APPROVED BUDGET	% OF BUDGET
<b>General Fund 101</b>				
Mill Levy Funds: Property Tax - Current Year	42730	117950	108000	109.21%
Property Tax - Delinquent	0	0	0	
Property Tax - Penalty & Interest	0	0	0	
Oil and Gas - Equipment	0	0	0	
Oil and Gas - Production	0	0	0	
Total Interest income (e.g. From Bank Accounts and CDs)	35	119	0	
Hazardous Fuels Income	0	0	0	
Grass Seed and or Tree Sales	2409	4213	3900	108.03%
Book Sales	0	0	0	
Rent Revenue (e.g. equipment rentals)	0	0	0	
Brush Control Materials	0	0	0	
Noxious Weed Program	0	0	0	
Conservation Sale Items	0	0	0	
Legislative Funding	16254	67790	67925	99.80%
Capital Outlay Funded	0	0	0	
Miscellaneous (1) SWCC Grants & BLM funding	6747	8435	11875	71.27%
Miscellaneous	2011	5811	5650	102.85%
<b>TOTAL GENERAL FUND REVENUES</b>	<b>70,186</b>	<b>204,317</b>	<b>197,310</b>	
<b>OTHER FINANCING SOURCES</b>				
Transfers In	0	0	0	
Transfers (Out)	0	0	0	
<b>TOTAL - OTHER FINANCING SOURCES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>
<b>Other (Non Operational) 299</b>				
Water Trust Board	0	0	0	
District Building (e.g. rent)	0	0	0	
Interstate Streams Loan Program Revenue	0	0	0	
Emergency Watershed Protection Program Revenue	0	0	0	
Miscellaneous	0	0	0	
<b>TOTAL OTHER 299</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>OTHER FINANCING SOURCES</b>				
Transfers In	0	0	0	
Transfers (Out)	0	0	0	
<b>TOTAL - OTHER FINANCING SOURCES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>
<b>Debt Service 400</b>				
<b>General Obligation Bonds</b>	0	0	0	
General Obligation - (Property Tax)	0	0	0	
Investment Income	0	0	0	
Other - Misc	0	0	0	
<b>Revenue Bonds</b>	0	0	0	
Bond Proceeds	0	0	0	
Revenue Bonds - GRT	0	0	0	
Investment Income	0	0	0	
Revenue Bonds - Other	0	0	0	
Miscellaneous (NMFA, BOF, etc.)	0	0	0	
Investment Income	0	0	0	
Loan Revenue	0	0	0	
<b>TOTAL DEBT SERVICE REVENUES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>OTHER FINANCING SOURCES</b>				
Transfers In	0	0	0	
Transfers (Out)	0	0	0	
<b>TOTAL - OTHER FINANCING SOURCES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>
<b>GRAND TOTALS REVENUES- CURRENT QTR</b>	<b>\$ 70,186</b>	<b>\$204,317</b>	<b>\$ 197,310</b>	

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

**STATE OF NEW MEXICO  
EAST TORRANCE SOIL AND WATER  
CONSERVATION DISTRICT  
Department of Finance and Administration  
Year-end Quarterly Report  
JUNE 30, 2013**

SWCD:

East Torrance Soil & Water Conservation District

Period Ending: 6/30/2013

EXPENDITURES	CURRENT QUARTER	YEAR TO DATE	APPROVED BUDGET	% OF BUDGET
<b>GENERAL FUND 101</b>				
Personnel Services, Salaries including Benefits-Health/Pera	16,379	58,052	66,000	0.879579
Taxes	1,253	4,275	8,500	0.502933
Mileage and Per Diem	0	0	500	0
Fees and Services Expenses (e.g. supervisors)	0	0	0	
	0	0	0	
Building Expenses ( maintenance)	0	0	1,000	0
Office Supplies/ office equip	700	3,105	5,500	0.564518
Election Expense	0	0	0	
Education expense	0	0	0	
Equipment & Vehicle Expense (Insurance, gas, maintenance)	209	4,757	1,800	2.6429
Advertising,Public Relations	739	1,861	2,000	0.930585
Annual Audit Expenses	0	0	0	
Dues and Subscriptions	2,525	3,784	3,600	1.051236
Tree and Seed Sales Expenses	4,164	4,614	3,600	1.281547
Postage Expense and printing(eg.newsletters,etc)	337	1,914	3,200	0.59815
Cost Sharing Expense	1,667	12,927	129,350	0.099937
Brush Control Expenses	0	0	0	
Annual Meetings	0	4,066	5,400	0.752931
Contractual Services Expenses including audit	5,522	16,258	23,200	0.700758
Utilities (Electricity, Natural Gas, Propane, Water, Sewer)	808	2,999	3,200	0.937153
Bonding/Liability Insurance	0	162	175	0.925714
Grants Expense (1 SWCC grants)	6,493	7,635	7,635	1
Professional Development	0	260	5,000	0.052068
Special Project Fees	2,182	6,651	131,100	0.050734
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>42,979</b>	<b>133,320</b>	<b>400,761</b>	
<b>Other Expenditures 299</b>				
Water Trust Board	0	0	0	
District Building	0	0	0	
Interstate Streams Loan Program Expense	0	0	0	
Emergency Watershed Protection Program Expense	0	0	0	
Miscellaneous BLM	0	800	4,200	0.190476
<b>Total Other Expenditures</b>	<b>\$ -</b>	<b>\$ 800</b>	<b>\$ 4,200</b>	<b>0.190476</b>
<b>Debt Service 400</b>				
Bond Payments Principal	0	0	0	
Bond Payments- Interest	0	0	0	
Other Debt Service	0	0	0	
<b>Total Debt Service Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>TOTAL EXPENDITURES Current Quarter</b>	<b>\$ 42,979</b>	<b>\$134,120</b>	<b>\$ 404,961</b>	

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

**STATE OF NEW MEXICO  
EAST TORRANCE SOIL AND WATER  
CONSERVATION DISTRICT  
Schedule of Findings and Responses  
JUNE 30, 2013**

**Prior Year Findings**

None

**Current Year Findings**

**2013-01 Pledged Collateral**

**Condition** – Deposits at Wells Fargo Bank were not collateralized as required by Section 6-10-17 NMSA 1978, NM Public Money Act. The required collateral should have been for \$14,862.71 as of June 30, 2013.

**Criteria** – Any bank with a deposit designated as public money shall deliver pledged collateral with a value equal to one half the amount of the public money in excess of insurance. A joint safe keeping receipt should be issued by the bank to the agency for pledged collateral. Monitoring collateralization of the agency's funds is essential for ensuring compliance with State of New Mexico Statutes.

**Cause** – The amounts on deposit were not adequately monitored to ensure that the balances were sufficiently collateralized. The bank did not have a depository pledge agreement for ETSWCD and therefore, they did not pledge any collateral.

**Effect** – Lack of pledged collateral could result in excessive loss of ETSWCD's funds if the financial institution encounters financial difficulty.

**Recommendation** – Sign a depository pledge agreement with the bank and require them to submit monthly pledged collateral reports to ETSWCD. Monitor and review monthly collateral reports, investigate differences, and resolve discrepancies to ensure required collateral is pledged.

**Response** – The District Manager previously signed a pledged collateral agreement with Wells Fargo Bank but never received any reports from them. The District has had trouble receiving reports from Wells Fargo Bank in the past on collateral coverage but with the newly signed and executed pledged collateral agreement as of August 2013, the District Manager will ensure that the reports are received and monitored monthly.

**STATE OF NEW MEXICO  
EAST TORRANCE SOIL AND WATER  
CONSERVATION DISTRICT**

**Exit Conference  
JUNE 30, 2013**

The report contents were discussed at an exit conference held on November 20, 2013, with the following in attendance:

**East Torrance Soil and Water Conservation District**

Ryan Schwebach, Chairman  
Jim Berlier, Secretary/Treasurer  
Cheri Lujan, District Manager

**Calhoon Accounting & Tax Services**

Renea L. Calhoon, CPA