

**Charles L. Henry**

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**STATE OF NEW MEXICO**

**Northeastern Soil and Water Conservation District**

**Independent Accountant's Compilation Report and  
Report on Applying Agreed-Upon Procedures**

*For the Fiscal Year Ended June 30, 2007*



State of New Mexico  
**Northeastern Soil and Water Conservation District**  
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 June 30, 2007

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State of New Mexico  
Northeastern Soil and Water Conservation District  
Official Roster  
June 30, 2007

**Board of Supervisors**

**Position**

Justin Bennett

Chairperson

Brett Bannon

Vice - Chairperson

Randy Podzemny

Secretary / Treasurer

Gayle Rivale

Member

Larry Mason

Member

**District Personnel**

**Title**

Barbara G. Podzemny

Administrative Assistant

# Charles L. Henry

*Certified Public Accountant*

666 Cook Avenue

Raton, New Mexico 87740

(505) 681-9762

## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT AND REPORT ON APPLYING AGREED-UPON PROCEDURES

**Justin Bennett, Chairperson**  
**and Members of the Board of Supervisors**  
**Northeastern Soil and Water Conservation District**  
**and**  
**Honorable Hector H. Balderas**  
**New Mexico State Auditor**

I have compiled the accompanying statement of assets, liabilities and net assets - modified cash basis of Northeastern Soil and Water Conservation District (a political subdivision) as of June 30, 2007, and the related statement of support, revenue, and expenses - modified cash basis for the year then ended. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America. The financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

I have also performed the procedures enumerated below for the Northeastern Soil and Water Conservation District (District), for the year ended June 30, 2007. The district 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 the District through the Office of the New Mexico State Auditor. The management of the Northeastern Soil and Water Conservation District 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, 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:

## **CASH**

### **Procedures**

- a) Determined 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.
- b) Performed 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).
- c) Determined 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**

- a) The District has a checking account, two certificates of deposit and utilizes a QuickBooks software package to record cash receipts and disbursements. All bank reconciliations are performed on a timely basis and were complete and on-hand.
- b) Testing of bank reconciliations revealed some exceptions. The dates of some deposits as recorded in the general ledger did not agree with the deposit date on the bank statement.
- c) Bank account balances never exceeded uninsured limits and therefore, pledged collateral was not required on any bank balance.

## **CAPITAL ASSETS**

### **Procedures**

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

### **Findings**

The District maintains a list of capital assets and presents this list as the required inventory, but the cost information reflected in the list is not in agreement with information reported in an audit of the District performed by the Office of the New Mexico State Auditor (OSA) for the fiscal year ended June 30, 2006 with one exception.

Only one asset reflected a cost that agreement with the information presented in this OSA audit. This asset was the only one with a portion of undepreciated cost. The result was that there is no difference in the determination of related depreciation expense or reporting of capital assets, net of accumulated depreciation.

## **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 ended June 30, 2007 for each type of revenue source.

Test 50% of the total amount of revenue for the following attributes:

- b) Amounts recorded in the general ledger agrees to 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 review 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**

- a) Analytical review and test of recorded revenue compared to budgeted revenue for the year ended June 30, 2007 revealed incidences where revenue was recorded as a credit entry to expense accounts.
- b) Amounts recorded in the general ledger agreed with supporting documentation and the bank statements with the exception of the date of record of some receipts when compared to the deposit date as found on the bank statement (see cash findings above).
- c) Transactions were properly recorded on a cash basis as to amount. The effect of recording revenue amounts as credits to an expense classification did not effect the determination of income, but did effect the classification as to budget presentations.

## **EXPENDITURES**

### **Procedures**

Select a sample of cash disbursements and test at least 25 transactions and 50% of the total amount of expenditures for the following attributes:

- a) Determine that amounts recorded as disbursed agree 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.
- 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**

- a) 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) Disbursements were properly authorized and approved in compliance with the 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).
- d) The recording of payroll tax liabilities was found to be incorrect.
- e) The preparation of required monthly reporting of determined gross receipts taxes was found to be incomplete as to the amount of exempt sales resulting in an inability to properly determine the liability.

## **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**

The District uses QuickBooks software, but does not generate any journal entries or make adjustments to amounts recorded.

## **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 budget and subsequent budget adjustments were approved by the local public body's governing body 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.
- c) From the original and final approved budgets an general ledger, prepare a schedule of revenue 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**

- a) Although the budgets indicate that they are the "final budget", no certification from the Department of Finance and Administration was made available. Review of the minutes did indicate that the final budget was approved by the board and sent to DFA.
- b) Actual expenditures exceed budgeted expenditures at the legal level of budgetary control by \$ 12,844. Section 2.2.2.10 P (1) requires this be reported as a finding. Actual revenue exceeded budgeted revenue by more than the actual expenses exceeded budgeted expenses in the amount of \$ 15,414.

## **OTHER**

### **Procedures**

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose in the report as required by Section 2.2.2 10 ( 1 ) ( 3 ) (C) NMAC.

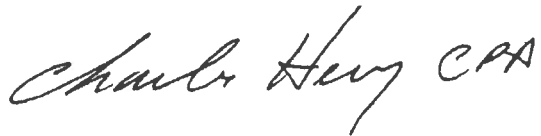
### **Findings**

No exceptions were found as a result of applying the procedures above indicating any fraud or illegal acts; however, I believe the finding 06-01 of untimely deposits of receipts constitutes a material weakness in internal control. For issues of noncompliance relating to a late report as well as issues relating to the findings above see the schedule of findings and responses.

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I was not engaged to, and did not conduct an audit, the objectives 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 to be reported to you.

This report is intended solely for the for the information and use of Northeastern Soil and Water Conservation District, the New Mexico Office of the State Auditor and the DFA-LGD and is not intended to be, and should not be used by anyone other than those specified parties.

A handwritten signature in cursive script that reads "Charles L. Henry CPA". The signature is written in black ink and is positioned above the typed name.

Charles L. Henry  
Certified Public Accountant  
February 10, 2011

State of New Mexico  
Northeastern Soil and Water Conservation District  
**Statement of Net Assets**  
June 30, 2007

*Exhibit - A*

**ASSETS**

Cash and Cash Equivalents	\$ 121,467
Interest Receivable	511
Accounts Receivable	11,748
Capital Assets net of Depreciation	<u>400</u>
 Total Assets	 <u>134,126</u>

**LIABILITIES**

Accounts Payable	373
Accrued Liabilities	<u>983</u>
 Total Liabilities	 <u>1,355</u>

**NET ASSETS**

Invested in Capital Assets	400
Unrestricted	<u>132,371</u>
 Total Net Assets	 <u>\$ 132,771</u>

State of New Mexico  
 Northeastern Soil and Water Conservation District  
**Statement of Activities**  
 For the Fiscal Year Ended June 30, 2007

*Exhibit - B*

<b>Program Expenses</b>	<u>Governmental Activities</u>
<i>Conservation:</i>	
Advertising / Public Relations	\$ 968
Taxes	1,594
Mileage / Per Diem	1,159
Rent / Office Expense	927
Material / supplies	87,563
Contract Labor	1,730
Awards	942
Grass Seed	6,886
Dues	927
Educational Aids	1,371
Insurance / Bonds	-
Payroll / Bonus	7,781
Meetings	4,475
Depreciation Expense	200
Total Program Expenses	<u>116,523</u>
<b>Program Revenues</b>	
Charges for Services:	
Conservation Material and Tree Sales	126,431
Grass Seed Sales	-
Equipment Rental	-
Total Program Revenues	<u>126,431</u>
Net program (Expense) Revenue	9,908
<b>General Revenue</b>	
State Allocation	21,617
Interest	1,684
Miscellaneous Income	-
Total General Revenue	<u>23,302</u>
Change in Net Assets	33,210
Net Assets at Beginning of Year	<u>99,561</u>
Net Assets at End of Year	<u><u>\$ 132,771</u></u>

*Unaudited - see Independent Accountant's Compilation Report and Report on Applying Agreed-Upon Procedures*

State of New Mexico  
Northeastern Soil and Water Conservation District  
**Balance Sheet - Governmental Funds**  
June 30, 2007

*Exhibit - C*

**Assets**

Cash and Investments	\$ 121,467
Interest Receivable	511
Accounts Receivable	<u>11,748</u>
 Total Assets	 \$ <u><u>133,726</u></u>

**Liabilities and Fund Balance**

Liabilities	
Accounts Payable	\$ 373
Accrued Liabilities	<u>983</u>
 Total Liabilities	 <u>1,355</u>
 Fund Balance	
Unreserved, undesignated	<u>132,371</u>
 Total Fund Balance	 <u>132,371</u>
 Total Liabilities and Fund Balance	 \$ <u><u>133,726</u></u>

State of New Mexico  
Northeastern Soil and Water Conservation District  
**Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets**  
For the Fiscal Year Ended June 30, 2007

***Amounts reported for governmental activities in the Statement of Net Assets are different from the way they are reported in the Balance Sheet - Governmental Funds as follows:***

Fund Balance - Balance Sheet	\$ 132,371
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***Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.***

Capital assets, net of Accumulated Depreciation	<u>400</u>
Net Assets - Statement of Net Assets	<u>\$ 132,771</u>

State of New Mexico  
 Northeastern Soil and Water Conservation District  
**Statement of Revenues, Expenditures and Changes in  
 Fund Balances - Governmental Funds**  
 For the Fiscal Year Ended June 30, 2007

*Exhibit - D*

	<b>General Fund</b>
<b>Revenues</b>	
State Allocation	\$ 21,617
Conservation Material and Tree Sales	126,431
Interest	1,684
Miscellaneous Income	-
Total Revenues	149,733
<b>Expenditures</b>	
<i>Charges for Services:</i>	
Advertising / Public Relations	968
Taxes	1,594
Mileage / Per Diem	1,159
Rent / Office Expense	927
Material / supplies	87,563
Contract Labor	1,730
Awards	942
Grass Seed	6,886
Dues	927
Educational Aids	1,371
Insurance / Bonds	-
Payroll / Bonus	7,781
Meetings	4,475
Total Expenditures	116,323
Net Change in Fund Balance	33,410
Fund Balance Beginning of Year	98,961
Fund Balance End of Year	\$ 132,371

*Unaudited - see Independent Accountant's Compilation Report and Report on Applying Agreed-Upon Procedures*

State of New Mexico  
Northeastern Soil and Water Conservation District  
**Reconciliation of the Statement of Activities to the  
Statement of Revenues, Expenditures and Changes in  
Fund Balances - Governmental Funds**  
For the Fiscal Year Ended June 30, 2007

Net Change in Fund Balance - Governmental Funds	\$ 33,410
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**Amounts reported in the Statement of Activities are different because:**

*Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets is allocated over the estimated useful live of the asset and reported as depreciation expense s follows:*

Depreciation Expense	<u>(200)</u>
	\$ <u><u>33,210</u></u>



State of New Mexico  
 Northeastern Soil and Water Conservation District  
**Statement of Revenues, Expenditures - Budget and  
 Actual (Non-GAAP Budgetary Basis) - General Fund**  
 For the Fiscal Year Ended June 30, 2007

*Exhibit - E*

	<b>General Fund</b>			
	Original	Final	Actual	Variance
	DFA Budget	DFA Budget	Budgetary Expenditures	Favorable (Unfavorable)
<b>Revenues</b>				
State Allotment	\$ 18,500	\$ 18,500	\$ 21,617	\$ 3,117
Material & Supply Sales	80,000	80,000	115,897	35,897
Equipment Rentals	1,000	1,000	-	(1,000)
Grass Seed Sales	10,000	10,000	-	(10,000)
Interest	1,000	1,000	1,243	243
Miscellaneous Income	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	\$ <u>110,500</u>	\$ <u>110,500</u>	\$ <u>138,758</u>	\$ <u>28,258</u>
<b>Expenditures</b>				
Advertising	\$ 575	\$ 575	\$ 1,038	\$ (463)
Repairs	500	500	-	500
Taxes	5,000	5,000	1,595	3,405
Mileage / Per Diem	2,000	2,000	1,159	841
Rent	500	500	-	500
Public Relations	1,000	1,000	(160)	1,160
Material / Supplies	65,000	65,000	88,650	(23,650)
Contract Labor	500	500	1,730	(1,230)
Equipment Purchases	1,000	1,000	-	1,000
Awards	1,000	1,000	994	6
Grass Seed	7,500	7,500	7,364	136
Dues	2,000	2,000	917	1,083
Educational Aids	1,000	1,000	1,371	(371)
Bond Insurance	250	250	-	250
Payroll / Bonus	10,000	10,000	7,384	2,616
Meetings	6,000	6,000	4,700	1,300
Office Expense	1,000	1,000	927	73
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	\$ <u>104,825</u>	\$ <u>104,825</u>	\$ <u>117,669</u>	\$ <u>(12,844)</u>

*Unaudited - see Independent Accountant's Compilation Report and Report on Applying Agreed-Upon Procedures*

State of New Mexico  
 Northeastern Soil and Water Conservation District  
**Reconciliation of Non-GAAP Budgetary Basis to  
 GAAP Basis Financial Statements**  
 For the Fiscal Year Ended June 30, 2007

	General Fund
Non-GAAP revenues	\$ 138,758
Prior year receivables	(1,284)
Current year receivables	12,260
GAAP revenues	\$ 149,733
Non-GAAP expenditures	\$ 117,669
Prior year payables	(2,701)
Current year payables	1,355
GAAP expenditures	\$ 116,323

State of New Mexico  
 Northeastern Soil and Water Conservation District  
**Capital Asset Activity**  
 For the Fiscal Year Ended June 30, 2007

<u>Government Activities</u>	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Assets Being Depreciated				
Computer Equipment	\$ 1,000	\$ -	\$ -	\$ 1,000
Farm Equipment	<u>17,606</u>	<u>-</u>	<u>-</u>	<u>17,606</u>
Total at Historical Cost	<u>18,606</u>	<u>-</u>	<u>-</u>	<u>18,606</u>
Less Accumulated Depreciation				
Computer Equipment	(1,000)	-	-	(1,000)
Farm Equipment	<u>(17,006)</u>	<u>(200)</u>	<u>-</u>	<u>(17,206)</u>
Total Accumulated Depreciation	<u>(18,006)</u>	<u>(200)</u>	<u>-</u>	<u>(18,206)</u>
Net Capital Assets	<u>\$ 600</u>	<u>\$ (200)</u>	<u>\$ -</u>	<u>\$ 400</u>

**There are no governmental Capital Projects in progress for the year ended June 30, 2007.**

State of New Mexico  
Northeastern Soil and Water Conservation District  
**Schedule of Findings and Responses**  
June 30, 2007

**STATUS OF PRIOR YEAR FINDINGS**

- 05-01. Withheld tax payments processed incorrectly - Repeated
- 05-02. Revenues were not properly classified - Repeated
- 06-01. Deposits not made within twenty-four hours of receipt - Repeated**
- 06-02. Federal Tax Reporting - Underreported Second Quarter - Repeated
- 06-03. Expenditures - Incomplete or Missing Supporting Documentation - Corrected
- 06-04. Improper disposal of Capital Asset and Notification to State Auditor - Corrected

**CURRENT YEAR FINDINGS**

- 07-01. The financial information maintained by the District could not be reconciled to the audited statements as represented by the Office of the New Mexico Stat Auditor
- 07-02. The New Mexico Taxation and Revenue form CRS 1 was not prepared properly.
- 07-03. Deposits entered in the general ledger was recorded by the bank on a different date.
- 07-04. Accounts Receivable are not readily available
- 07-05. Actual Expenditures exceed Budgeted Expenditures
- 07-06. Late Audit Report

**05-01. Withheld tax payments processed incorrectly**

Condition

The District withholds taxes from its employee's checks as required by law. The amounts withheld create a payable amount. The Payable balance should be reduced when payments are made to the government agencies. The payable amount is not being reduced and the taxes paid are being expensed.

Criteria

Generally accepted accounting principles requires that payroll taxes payable be accounted for accurately.

Effect

The District has misstated its expenditures in its general ledger system and is at risk of over/under paying its payroll taxes.

Cause

The District personnel have not been properly trained in the use of the payroll function in their accounting system.

Recommendation

The District should obtain training for its personnel to correctly withhold taxes from its

State of New Mexico  
Northeastern Soil and Water Conservation District  
**Schedule of Findings and Responses**  
June 30, 2007

Management Response

The District personnel was not aware of the problem and will take steps to acquire the necessary training.

**05-02. Revenues were not properly classified - Repeated**

Condition

A review of all revenue entries into the general ledger revealed that revenue entries were misclassified and entered incorrectly.

Criteria

Generally accepted accounting principles require that revenue be recorded accurately into the general ledger

Effect

Revenues were overstated for some classifications and understated for others.

Cause

The District employee did not apply the care or attention to the financial recording of transactions that should be expected from someone charged with the responsibility of recording financial transactions.

Recommendation

The District should ensure that all revenues are properly recorded in the general ledger.

Management's Response

The District has hired a new clerk and the attention to the needs of financial information will be a primary requirement of that position.

**06-01. Deposits not made within twenty-four hours of receipt - Repeated**

Condition

The District receives a substantial amount of money from the sale of grass seed and trees and from State Allocations. The majority is in the form of checks. Checks and cash are not always deposited timely and when deposited were found to be misclassified.

Criteria

It is required that cash receipts to be deposited timely for proper accounting and safeguarding

State of New Mexico  
Northeastern Soil and Water Conservation District  
**Schedule of Findings and Responses**  
June 30, 2007

Effect

The District could easily be subjecting itself to risk of loss and improper handling of cash and checks. Untimely deposits affect cash flows for the District and invites the possibility of fraud. There is no records of receipts and no accounting controls in place to insure proper recording of receipts.

Cause

The District employee is not performing required duties to the extent necessary for the responsibilities demanded by the position.

Recommendation

The District must place the deposit of funds in a timely manner as a priority of job performance of the District employee. Procedures need to be put in place to all cash is being deposited.

Management's Response

The District hired a new clerk, but the careless entries occurred prior to the hiring of the new clerk.

**06-02. Federal Tax Reporting - Underreported Second Quarter**

Condition

The Employer's Quarterly Federal Tax Return (Form 941) for the quarter ended June 30, 2007 under-reported the tax liability by \$ 352.

Criteria

The District has a total payroll tax liability less than \$ 2,500 for the current and preceding quarter and is permitted to pay the amount of the withheld taxes and employer contribution in full with a timely filled return without penalty. The District has a fiduciary responsibility to report accurately and pay the taxes as required to avoid penalties and interest.

Effect

The District did not report or pay the tax liability accurately and will be subject to being assessed penalty and interest by the Internal Revenue Service.

Cause

The District prepared the reporting form in error.

Recommendation

The District should have a qualified person review the 941 Forms and the supporting financial records prior to filing the IRS reports or secure additional training on the proper preparation of the form to insure the amounts reported are accurate.

State of New Mexico  
Northeastern Soil and Water Conservation District  
**Schedule of Findings and Responses**  
June 30, 2007

Management's Response

The District will take whatever action is necessary to insure proper preparation of Form 941 before it is filed.

**07-01. The financial information maintained by the District could not be reconciled to the audited statements as represented by the Office of the New Mexico Stat Auditor**

Condition

The general ledger information provided by the District was not adjusted to present the balance sheet information presented in the audited statements for the year ended June 30, 2006.

Criteria

Generally accepted accounting principles requires that financial information contain the necessary elements for the generation of meaningful information to be used in making financial decisions.

Effect

The District has been unable to provide certain financial information to the supervisors for use in making financial decisions.

Cause

Adjusting entries determined by the Office of the New Mexico State Auditor for establishing the balances to be reflected as the assets and liabilities of the District were not entered into the software package to the District.

Recommendation

The District should enter the determined adjusting entry necessary to establish the assets and liabilities as determined by the audit by the Office of the New Mexico State Auditor.

Management Response

The District will make the entry as determined.

**07-02. The New Mexico Taxation and Revenue form CRS 1 was not prepared properly.**

Condition

The New Mexico Department of Taxation and Revenue Combined Reporting System (CRS-1) was not prepared properly.

Criteria

Proper completion of required reporting forms is a required by law.

State of New Mexico  
Northeastern Soil and Water Conservation District  
**Schedule of Findings and Responses**  
June 30, 2007

Effect

The District may improperly compute gross receipts tax expenses and possibly incur penalties, interest and an increased probability of an audit by the New Mexico Department of Taxation and Revenue because the required CRS-1 reports are not prepared properly. The District does not report the total gross receipts as required on the form before removing the non-taxable amount to arrive at the taxable gross receipts. It was also noted that the state tax withheld from employees was not included on the form as required.

Cause

The District employee was not properly trained or aware of the proper way to complete the CRS-1 reports.

Recommendation

The District should have a qualified person review the CRS-1 Forms and the supporting records prior to filing the reports or secure additional training on the proper preparation of the form to insure the amounts reported are accurate and required supporting documents are maintained.

Management Response

The District has a new administrative assistant and will take whatever action is necessary to insure proper preparation of the CRS-1 before it is filed.

**07-03. Deposits entered in the general ledger was recorded by the bank on a different date.**

Condition

Some deposits recorded in the general ledger were found to have actually been deposited in the bank prior to the date recorded as a deposit in the general ledger.

Effect

Revenue deposited at a different time than when recorded in the general ledger have an impact on the matching of revenue to the period earned as required by generally accepted accounting

Cause

The District employee is a part-time employee and while there is a conscious effort to deposit checks and cash when received the recording of that deposit in the general ledger is not always done on the same day.

Recommendation

The software package used by the District is very date sensitive. Care should be made to enter the date of the deposit when recording the transaction rather than the actual date of the entry.



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Management Response

The District was not aware of the problem and will seek additional training for its employee.

**07-04. Accounts Receivable are not readily available**

Condition

Sales on credit are not entered into the general ledger at the point of sale.

Criteria

Generally accepted accounting principals require proper recognition of revenue and expense.

Effect

Revenue can be misstated and the ability to generate an accurate presentation of amounts receivable at the end of any month or year end is difficult.

Cause

A "stand alone" worksheet is used to generate invoices at the point of sale. This invoice is maintained until cash is received at which point the "worksheet invoice" is attached with the deposit slip. The collection history is lost or made difficult to reconstruct.

Recommendation

The software package be used to generate invoices as well as record collections of amounts owed. Additional training may be necessary and this needed training should be encouraged.

Management Response

The District was not aware of the problem and will look at the finding and determine how to move to correct this finding.

**07-05. Actual Expenditures exceed Budgeted Expenditures**

Condition

Actual expenditures for the year ended June 30, 2007 exceeded budgeted expenditures for the same period.

Criteria

If actual expenditures exceed budgeted expenditures at the level of budgetary control, that fact must be reported in a finding. Section 2.2.2.10 P (1) and 2.2.2.10 (1)(iii)

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Effect

The budgeted information is not accurate and may be misleading when making economic decisions.

Cause

Actual revenue exceeded budgeted revenue causing an increase in the cost of goods sold.

Recommendation

That budgeted amounts be reviewed periodically for accuracy and adjusted if needed.

Management Response

The budgeted expenditures will be reviewed and compared with actual expenditures periodically to avoid this problem in the future.

**07-06. Late Audit Report**

Condition

The audit report was filed after the due date.

Criteria

According to State Auditor Rule 2.2.2.9(d), the audit report due date for the District is December 1, 2007.

Effect

The users of the financial statements do not have timely audit reports and financial statements for their review. A late audit report can have an effect on various funding opportunities.

Cause

The District was unable to contract with an auditor.

Recommendation

The District should make every effort to hire an auditor and complete their audit timely.

Management Response

The District was aware of the problem and believes it is addressing the problem as well as possible.

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**Exit Conference**  
June 30, 2007

**FINANCIAL STATEMENT PREPARATION**

The accompanying financial information was prepared by Charles L. Henry CPA. However, the contents remain the responsibility of the District.

**EXIT CONFERENCE**

On February 10, 2011 an exit conference was held at the District Office with Barbara G. Podzemny, Administrative Assistant and Randy Podzemny, Board Member and Secretary / Treasurer of the Northeastern Soil and Water Conservation District as well as Charles Henry CPA.