

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, 2009

State of New Mexico
Northeastern Soil and Water Conservation District
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 June 30, 2009

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State of New Mexico
Northeastern Soil and Water Conservation District
Official Roster
June 30, 2009

Board of Supervisors

Justin Bennett

Brett Bannon

Randy Podzemny

Gayle Rivale

Larry Mason

Position

Chairperson

Vice - Chairperson

Secretary / Treasurer

Member

Member

District Personnel

Barbara G. Podzemny

Title

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, 2009, 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, 2009. 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, three 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 an exception where the date of a deposit as recorded in the general ledger did not agree with the deposit date as found 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.

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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. As of June 30, 2009 all assets were fully depreciated.

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, 2009 for each type of revenue source.

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

- b) Amount 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, 2009 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.
- 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 set to DFA.
- b) Budgeted revenue less budgeted expenses exceeded actual revenue less actual expenses. Because of this result actual expenditures did not exceed the final budget at the local level, level of budgetary control.

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)© NMAC.

Findings

No exceptions were found as a result of applying the procedures above indicating any fraud or illegal acts, or material weaknesses in internal control. For issues of noncompliance, related weakness in internal control as well as issues of noncompliance relating to a late report and issues relating to the findings above see the schedule of findings and responses.

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.

Charles Henry CPA

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, 2009

Exhibit - A

ASSETS

Cash and Cash Equivalents	\$ 134,558
Interest Receivable	674
Accounts Receivable	-
Capital Assets net of Depreciation	<u>-</u>
Total Assets	<u>135,232</u>

LIABILITIES

Accounts Payable	3,785
Accrued Liabilities	<u>1,232</u>
Total Liabilities	<u>5,017</u>

NET ASSETS

Invested in Capital Assets	-
Unrestricted	<u>130,215</u>
Total Net Assets	<u>\$ 130,215</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
Statement of Activities
 For the Fiscal Year Ended June 30, 2009

Exhibit - B

Program Expenses	<u>Governmental Activities</u>
<i>Conservation:</i>	
Advertising / Public Relations	\$ 188
Taxes	5,363
Mileage / Per Diem	1,703
Rent / Office Expense	457
Material / supplies	64,072
Contract Labor	365
Awards	322
Grass Seed	4,991
Dues	1,484
Educational Aids	604
Insurance / Bonds	240
Payroll / Bonus	16,448
Meetings	8,630
Water Quality Grant	13,517
Depreciation Expense	200
Total Program Expenses	<u><u>118,584</u></u>
Program Revenues	
<i>Charges for Services:</i>	
Conservation Material and Tree Sales	70,967
Grass Seed Sales	6,905
Equipment Rental	474
Total Program Revenues	<u><u>78,346</u></u>
Net Program (Expense) Revenue	(40,238)
General Revenue	
State Allocation	10,751
Water Quality Grant	11,900
Interest	2,778
Miscellaneous Income	-
Total General Revenue	<u><u>25,428</u></u>
Change in Net Assets	(14,810)
Net Assets at Beginning of Year	<u>145,025</u>
Net Assets at End of Year	<u><u>\$ 130,215</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, 2009

Exhibit - C

Assets

Cash and Investments	\$ 134,558
Interest Receivable	674
Accounts Receivable	<u>-</u>
Total Assets	<u>\$ 135,232</u>

Liabilities and Fund Balance

Liabilities	
Accounts Payable	\$ 3,785
Accrued Payroll Taxes	<u>1,232</u>
Total Liabilities	<u>5,017</u>
Fund Balance	
Unreserved, undesignated	<u>130,215</u>
Total Fund Balance	<u>130,215</u>
Total Liabilities and Fund Balance	<u>\$ 135,232</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 the Balance Sheet - Governmental Funds
to the Statement of Net Assets**
For the Fiscal Year Ended June 30, 2009

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	\$ 130,215
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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>-</u>
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Net Assets - Statement of Net Assets	<u><u>\$ 130,215</u></u>
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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, 2009

Exhibit - D

	General Fund
Revenues	
State Allocation	\$ 10,751
Water Quality Grant	11,900
Conservation Material and Tree Sales	70,967
Equipment Rental	474
Grass Seed Sales	6,905
Interest	2,778
Miscellaneous Income	-
	103,775
Expenditures	
<i>Conservation:</i>	
Advertising / Public Relations	188
Taxes	5,363
Mileage / Per Diem	1,703
Rent / Office Expense	457
Material / supplies	64,072
Contract Labor	365
Awards	322
Grass Seed	4,991
Dues	1,484
Educational Aids	604
Insurance / Bonds	240
Payroll / Bonus	16,448
Meetings	8,630
Water Quality Grant	13,517
	118,384
Total Expenditures	118,384
Net Change in Fund Balance	(14,610)
Fund Balance Beginning of Year	144,825
Fund Balance End of Year	\$ 130,215

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, 2009

Net Change in Fund Balance - Governmental Funds \$ (14,610)

Amounts reported in the Statement of Activities are different because:

Governmental funds reported 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>(14,810)</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, 2009

Exhibit - E

	General Fund			
	Original DFA Budget	Final DFA Budget	Actual Budgetary Expenditures	Variance Favorable (Unfavorable)
Revenues				
State Allotment	\$ 10,500	\$ 10,500	\$ 10,751	\$ 251
Water Quality Grant	-	-	19,270	19,270
Material & Supply Sales	93,000	93,000	76,907	(16,093)
Equipment Rentals	1,000	1,000	474	(526)
Grass Seed Sales	15,000	15,000	6,905	(8,095)
Interest	3,000	3,000	2,827	(173)
Miscellaneous Income	-	-	-	-
Total Revenues	\$ 122,500	\$ 122,500	\$ 117,134	\$ (5,366)
Expenditures				
Advertising	\$ 355	\$ 355	\$ 188	\$ 167
Repairs	500	500	-	500
Taxes	5,000	5,000	5,194	(194)
Mileage / Per Diem	5,000	5,000	1,264	3,736
Rent / Office Expense	200	200	457	(257)
Public Relations	500	500	-	500
Material / Supplies	68,000	68,000	63,738	4,262
Contract Labor	1,500	1,500	365	1,135
Equipment Purchases	1,000	1,000	-	1,000
Awards	1,000	1,000	436	564
Grass Seed	7,500	7,500	4,991	2,509
Dues	2,000	2,000	1,640	360
Educational Aids	1,000	1,000	604	396
Bond Insurance	250	250	480	(230)
Payroll	15,000	15,000	16,448	(1,448)
Meetings	6,500	6,500	5,976	524
Office Expense	750	750	-	750
Audit	2,000	2,000	-	2,000
Water Quality Grant	-	-	13,517	(13,517)
Total Expenditures	\$ 118,055	\$ 118,055	\$ 115,297	\$ 2,758

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, 2009

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	General Fund
Non-GAAP revenues	\$ 117,134
Prior year receivables	(14,034)
Current year receivables	674
GAAP revenues	\$ 103,775
Non-GAAP expenditures	\$ 115,297
Prior year payables	(1,930)
Current year payables	5,017
GAAP expenditures	\$ 118,384

State of New Mexico
 Northeastern Soil and Water Conservation District
Capital Asset Activity
 For the Fiscal Year Ended June 30, 2009

<u>Government Activities</u>	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Assets Being Depreciated				
Computer Equipment	\$ 1,000	\$ -	\$ -	\$ 1,000
Farm Equipment	17,606	-	-	17,606
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	17,406	200	-	17,606
Total Accumulated Depreciation	<u>18,406</u>	<u>200</u>	<u>-</u>	<u>18,606</u>
Net Capital Assets	<u>\$ 200</u>	<u>\$ (200)</u>	<u>\$ -</u>	<u>\$ -</u>

There are no governmental Capital Projects in progress for the year ended June 30, 2009.

State of New Mexico
Northeastern Soil and Water Conservation District
Schedule of Findings and Responses
June 30, 2009

STATUS OF PRIOR YEAR FINDINGS

- 05-01. Withheld tax payments processed incorrectly - Repeated
- 05-02. Revenues were not properly classified - Repeated
- 07-02. The New Mexico Taxation and Revenue form CRS 1 was not prepared properly. - Repeated
- 07-03. Revenue recorded at one date were recognized by the bank in a different date. - Repeated
- 07-04. Accounts Receivable are not readily available - Repeated
- 07-05. Late Audit Report - Repeated

CURRENT YEAR FINDINGS

- 05-01. Withheld tax payments processed incorrectly

Condition

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 employee's checks as required by law.

Management Response

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

State of New Mexico
Northeastern Soil and Water Conservation District
Schedule of Findings and Responses
June 30, 2009

05-02. Revenues were not properly classified.

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 does not have the training in accounting or the way the software package treats revenue and expense transactions.

Recommendation

The District should provide some basic training for their employee in bookkeeping as well as the software package used for recording financial transactions.

Management's Response

The District desires to have accurate and properly classified financial information and will explore the training possibilities available for the District employee.

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, 2009

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. Revenue recorded at one date were recognized by the bank in 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.

Criteria

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

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 principles

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.

State of New Mexico
Northeastern Soil and Water Conservation District
Schedule of Findings and Responses
June 30, 2009

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.

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 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. Late Audit Report

Condition

The audit report was filed after the due date.

Criteria

According to State Auditor Rule the audit report due date for the District is December 1, 2009.

State of New Mexico
Northeastern Soil and Water Conservation District
Schedule of Findings and Responses
June 30, 2009

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 is aware of the problem and believes it is currently addressing the problem.

State of New Mexico
Northeastern Soil and Water Conservation District
Exit Conference
June 30, 2009

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.

