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Financial Audits + Agreed Upon Procedures + Tax + Consulting

Northeastern Soil & Water Conservation District

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ending June 30, 2016

**Northeastern Soil & Water Conservation District
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Fiscal Year Ending June 30, 2016**

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**Northeastern Soil & Water Conservation District
Official Roster
Fiscal Year Ending June 30, 2016**

Board of Supervisors

Justin Bennett, Chairperson

Brett Bannon, Vice-Chairperson

Randy Podzemny, Secretary/Treasurer

Gayle Rivale, Board Member

Larry Mason, Board Member

District Personnel

Jennifer Lutes, Administrative Assistant

Accounting & Auditing Services, LLC

Financial Audits + Agreed Upon Procedures + Tax + Consulting

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Independent Accountant's Report on Applying Agreed-Upon Procedures

Justin Bennett, Chairperson
Northeastern Soil & Water Conservation District
and
Timothy Keller, New Mexico State Auditor

I have performed the procedures enumerated below for the Northeastern Soil & Water Conservation District (District) for the year ending June 30, 2016, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 5 entity per Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978. The procedures were agreed to by the District through the New Mexico Office of the State Auditor. The District's management is responsible for its accounting records and the subject matter. 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 the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are as follows

1. Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tiered System Reporting Main Page."

Based on a review of the District's general ledger, total revenues for the fiscal year ending June 30, 2016 were \$95,849 (excluding the capital outlay grant) and the District received \$25,000 from the State Engineer's Office for a capital outlay appropriation. Based on this information, the District was properly determined to be a Tier 5 entity for FY16 since their total revenues were between \$50,000 and \$250,000 and they received 100% of the capital outlay appropriation during the fiscal year.

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 bank reconciliations were performed on a monthly basis in a timely manner. All bank statements for the fiscal year were complete and on hand. For the period July 1, 2015 through June 30, 2016, the District had one checking account and one Certificate of Deposit (CD) at the Farmers & Stockmens Bank and one checking account and two CD's at the First National Bank in Clayton, NM which are still open

as of the date of this report. The District had no investment accounts other than the CD's.

- 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.

The randomly selected bank reconciliations were accurate, and the ending balances on the bank reconciliations agreed with the District's general ledger, supporting documentation and the financial reports submitted to DFA-LGD.

- 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 bank account balances of the District were fully insured by the FDIC. Pledged collateral was not required since the District's bank balances were well below \$250,000 during the fiscal year.

3. Capital Assets

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

The District performed a capital asset inventory for the fiscal year ending June 30, 2016.

4. Revenue

- a. Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation. Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

The revenue sources of the District consist of grass seed and tree sales, legislative funding, rent and interest income. The variances between the actual FY15 revenue and the FY16 revenue were adequately explained by the District Clerk; no unusual or unexplained variances were noted.

The actual revenue compared to budgeted revenue for each type of revenue was reviewed. According to the District's general ledger, actual revenues were \$23,151 less than budgeted revenues for FY16. No significant or unusual variances were noted.

b. Select a sample of revenues based on auditor judgment and test using the following attributes:

i. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

A sample of cash receipts and deposits was judgmentally selected and tested which amounted to approximately 69% of total revenues. The amount recorded in the general ledger agreed with the supporting documentation and the bank statement.

ii. 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, modified accrual or accrual basis.

The cash receipts tested were properly classified and recorded in the general ledger on the cash basis of accounting.

5. Expenditures

a. Select a sample of cash disbursements based on auditor judgment and test using the following attributes:

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

A sample of cash disbursements were tested which amounted to approximately 68% of total expenses. The amounts recorded as disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled check. The District does not use purchase order forms.

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

The cash disbursements tested were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

- iii. 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), State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

None of the cash disbursements tested exceeded the amounts requiring sealed bids or requests for proposals. The cash disbursements tested were processed in accordance with applicable provisions of the State Procurement Code and State Purchasing Regulations.

6. Journal Entries

- a. If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:
 - i. Journal entries appear reasonable and have supporting documentation.

According to the District Clerk, no non-routine journal entries were posted to the general ledger during the fiscal year and none were noted during the agreed-upon procedures.

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

The District has procedures in place to ensure that non-routine journal entries posted to the general ledger by the District Clerk are reviewed and approved by the governing body.

7. Budget

- a. Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:
 - i. 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.

The District's Board of Supervisors adopted its FY16 budget on July 13, 2015 (Resolution #1- 2015) which was approved by DFA-LGD on September 3, 2015. The District did not have any budget adjustments in FY16.

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

Total expenditures for FY16 did not exceed the final approved budget. According to the District's general ledger, actual expenditures for FY16 were \$36,332 less than budgeted expenditures.

- iii. 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, modified accrual or accrual basis) for each individual fund.

Based on the District's general ledger, the Schedule of Revenues and Expenditures was prepared on the cash basis of accounting. See Exhibit 1 on p. 9.

8. Capital Outlay Appropriations

- 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.

All of the cash disbursements for the capital award project were tested. The amounts disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled check. The District does not use purchase order forms.

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

The cash disbursements tested were properly authorized and approved in accordance with the project budget, legal requirements and the District's procurement 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 1.4.1 NMAC).

A request for proposals was issued and the District awarded a professional services contract to Zeigler Geologic Consulting Inc. for a hydrology study of the regional aquifer system in Union County in accordance with its procurement policies and applicable state laws and regulations.

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

The District did not use the capital outlay appropriation to purchase any capital assets. The contractor submitted the required project deliverables and report to the District.

- 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.

The District submitted one Request for Payment Form, final report and supporting documentation to the NM Office of the State Engineer (OSE). The amounts requested in the Request for Payment Form and final report agreed with the District's general ledger and supporting documentation.

- f. If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.

The project was not funded in advance. The District was required to submit Request for Payment forms to the OSE along with the contractor's invoices and supporting documentation.

- 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.

The project work was completed. As of June 30, 2016, the capital outlay appropriation was fully expended. See the Schedule of Capital Outlay Awards on p. 13 of this report.

- 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 grant agreement did not mandate a separate bank account. The District used its checking account at the Farmers & Stockmens Bank to account for the grant receipt and check disbursement for the project expenditures.

- 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.

The District submitted one Disbursement Request form to the OSE for services rendered by the contractor. The disbursement request was supported by one invoice from the contractor totaling \$25,000 dated 10/30/13. The District paid for

the contractor's invoice before the grant check was received from OSE in November 2015. See the Schedule of Capital Outlay Awards on p. 13.

9. Other

- a. 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 (I)(3)(C) NMAC.

No findings were noted during the agreed-upon procedures.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Tier 5 agreed upon procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and others with the District, the New Mexico State Auditor, the Department of Finance and Administration – Local Government Division, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Auditing Services, LLC

Accounting & Auditing Services, LLC

Santa Fe, New Mexico

September 21, 2016

**Northeastern Soil & Water Conservation District
Schedule of Findings and Responses
Fiscal Year Ending June 30, 2016**

Status of Prior Year Findings

None.

Current Year Findings

None.

Northeastern Soil and Water Conservation District
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP Cash Basis)
For the Fiscal Year Ending June 30, 2016

Exhibit 1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grass Seed and Tree Sales	\$ 109,450	\$ 109,450	\$ 57,929	\$ (51,521)
Legislative Funding - NMSU	14,500	14,500	14,974	474
Interest	2,000	2,000	252	(1,748)
Rent	2,000	2,000	-	(2,000)
Union County Grant	-	-	6,788	6,788
Federal Funding - NRCS	14,800	14,800	15,837	1,037
Capital Outlay Appropriation	-	-	25,000	25,000
Miscellaneous	1,250	1,250	68	(1,182)
Total Revenues	<u><u>\$ 144,000</u></u>	<u><u>\$ 144,000</u></u>	<u><u>\$ 120,849</u></u>	<u><u>\$ (23,151)</u></u>
Expenditures:				
Personnel Services	\$ 26,600	\$ 26,600	\$ 28,145	\$ (1,545)
Advertising & Public Relations	800	800	935	(135)
Building Rental	2,400	2,400	2,400	-
Office Supplies	500	500	-	500
Gross Receipts Taxes	7,500	7,500	160	7,340
Mileage & Per Diem	8,500	8,500	9,644	(1,144)
Office Expense	-	-	341	(341)
Materials, Tress & Seed	91,300	91,300	50,867	40,433
Annual Audit	3,400	3,400	3,441	(41)
Dues & Board Fees	1,750	1,750	2,475	(725)
Training & Education	-	-	10	(10)
Insurance/Bonds	1,250	1,250	1,380	(130)
Meetings	-	-	1,083	(1,083)
Water Quality Projects	-	-	6,788	(6,788)
Total Expenditures	<u><u>\$ 144,000</u></u>	<u><u>\$ 144,000</u></u>	<u><u>\$ 107,668</u></u>	<u><u>\$ 36,332</u></u>

Northeastern Soil and Water Conservation District Copy of Year-End Financial Report Submitted to DFA-LGD

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

Soil and Water Conservation District: Northeastern
Period Ending: 06/30/16

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:
s. Jennifer R. Lutz

Fund #	Fund (1)	CASH BALANCE PER BOOKS July 1, 2016 (2)	YEAR TO DATE TRANSACTIONS PER BOOKS QUARTERLY REPORT					BOOK BALANCE END OF PERIOD (6)	ADJUSTED BALANCE END OF PERIOD (10)	BALANCE PER BANK STATEMENTS (11)	DIFFERENCE
			REVENUES TO DATE (3)	EXPENDITURES TO DATE (5)	NET TRANSFERS (4)	ADD OUTSTANDING CHECKS (7)	LESS: DEPOSITS IN TRANSIT (8)				
01	GENERAL FUND	\$ 134,427	84,162	116,645	-	-	101,944	101,944	140,019	(38,075)	
18	INTERGOVERNMENTAL GRANTS		14,325	-	-	-	14,325	14,325		14,325	
99	OTHER		25,000	1,250	-	-	23,750	23,750		23,750	
00	DEBT SERVICE		-	-	-	-	-	-	-	-	
	GRAND TOTAL	\$ 134,427	\$ 123,487	\$ 117,895	\$ -	\$ -	\$ 140,019	\$ 140,019	\$ -	\$ (0)	

JTE, DETAIL PARTS will complete the Report except for Cash Per Books on July 1.

(SEE NOTES TO FINANCIAL STATEMENTS FOR WHAT OUR DEFERRED REIMBURSEMENTS ARE USED FOR)

Northeastern Soil and Water Conservation District Copy of Year-End Financial Report Submitted to DFA-LGD

SWCD:
Northeastern

Period Ending: 6/30/2016

REVENUES	CURRENT QUARTER	YEAR TO DATE	APPROVED BUDGET	% OF BUDGET
General Fund 101				
Total Property Tax Production To Date	0	0	0	
Total Interest From Bank Accounts and CDs	26	252	2000	12.60%
Hazardous Fuels Income		0	0	
Grass Seed and/or Tree Sales	55541	68073	110700	61.49%
Book Sales		0	0	
Rent Revenue		0	2000	0.00%
Brush Control Materials		0	0	
Noxious Weed Program		0	0	
Conservation Sale Items		0	0	
Miscellaneous	3002	15837	14800	107.01%
	0	0	0	
	0	0	0	
	0	0	0	
TOTAL GENERAL FUND REVENUES	\$ 58,569	\$ 84,162	\$ 129,500	64.99%
Intergovernmental Grants 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	14325	14500	98.79%
Miscellaneous (e.g. NMDA)	0	0	0	
TOTAL GRANT REVENUES	\$ -	\$ 14,325	\$ 14,500	98.79%
Other 299				
Contract Services	0	0	0	
Educational Income	0	0	0	
Charges for Services	0	0	0	
Capital Outlay Funded		25000	0	
Project Income-Conservation & Environmental	0	0	0	
Emergency Watershed Protection Program	0	0	0	
Project Income - Reloan Program	0	0	0	
Project Expenses Income	0	0	0	
Silent Auctions	0	0	0	
Miscellaneous	0	0	0	
OTHER FUND 299 FROM DETAIL TAB	0	0	0	
TOTAL OTHER 299	\$ -	\$ 25,000	\$ -	
Debt Service 400				
General Obligation Bonds	0	0	0	
General Obligation - (Property Tax)	0	0	0	
Investment Income	0	0	0	
Other - Misc	0	0	0	
Revenue Bonds	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	
TOTAL DEBT SERVICE REVENUES	\$ -	\$ -	\$ -	
GRAND TOTALS REVENUES- CURRENT QTR	\$ 58,569	\$ 123,487	\$ 144,000	85.75%

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

Northeastern Soil and Water Conservation District

Copy of Year-End Financial Report Submitted to DFA-LGD

SWCD:

Northeastern

Period Ending: 6/30/2016

EXPENDITURES	CURRENT QUARTER	YEAR TO DATE	APPROVED BUDGET	% OF BUDGET
GENERAL FUND 101				
Personnel Services, (Salaries and Benefits)	5,452	26,600	26,600	100.00%
Mileage and Per Diem	15	7,500	7,500	100.00%
Vehicle Expense (Insurance, gas, maintenance)		0	8,500	0.00%
Building Expenses (e.g. rent/maintenance)	400	2,400	2,400	100.00%
Utilities (Electricity, Natural Gas, Propane, Water, Sewer)		0	0	
Telephone		0	0	
Postage Expense		0	0	
Office Supplies and Other Expenses	213	500	500	100.00%
Office Furniture and Equipment		0	0	
Advertising and Public Relations (e.g. newsletter)	132	800	800	100.00%
Training, Workshops & Education expense		0	0	
Annual Audit/Financial Report Expenses	0	3,441	3,400	101.21%
Dues and Board Fees	100	1,725	1,750	98.57%
Election Expense		0	0	
Field Supplies & Equipment		0	0	
Cost Sharing Expense		0	0	
Brush Control Expenses		0	0	
Contractual Fees and Other Services (Comm. Proj.)		0	0	
GRT Taxes	21	139	0	
Miscellaneous (e.g. Meetings)	57,283	73,540	91,300	80.55%
	0	0	0	
	0	0	0	
	0	0	0	
	0	0	0	
Total General Fund Expenditures	\$ 63,616	\$ 116,645	\$ 142,750	81.71%
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	110	1,250	1,250	100.00%
All Other Insurance	0	0	0	
Loan Program Expenses including Loan Repayments	0	0	0	
Miscellaneous Expenses	0	0	0	
OTHER FUND 299 FROM DETAIL TAB	0	0	0	
Total Other Expenditures	\$ 110	\$ 1,250	\$ 1,250	100.00%
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	\$ 63,726	\$ 117,895	\$ 144,000	81.87%

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

**Northeastern Soil and Water Conservation District
 Schedule of Capital Outlay Awards
 For the Fiscal Year Ending June 30, 2016**

	1
Amount Awarded for Project	\$ 25,000.00
Amount Received in FY16	(25,000.00)
Remaining Balance	\$ -

Agreement Provisions

1 - Grant Agreement Between the Office of the State Engineer and the Northeastern Soil & Water Conservation District (Fund 13-1430 Capital Appropriation Project)

Legislative Authority: NM Laws of 2013, Chapter 226, Section 21, Paragraph 11

Date of Agreement: January 14, 2014

Project Description: For a hydrological study, including planning and designing existing maps and continuing lithologic descriptions, of the regional aquifer system in Union County.

Estimated Project Cost: \$25,000

State Grant Amount: \$25,000

Agreement termination/reversion date: June 30, 2017

**Northeastern Soil & Water Conservation District
Exit Conference
Fiscal Year Ending June 30, 2016**

On September 21, 2016, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report:

Northeastern Soil & Water Conservation District

Justin Bennett, Chairperson
Jennifer Lutes, District Clerk

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Engagement Manager

