

Accounting & Auditing Services, LLC

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, 2017

**Northeastern Soil & Water Conservation District
Table of Contents
Fiscal Year Ending June 30, 2017**

	<u>Page</u>
Table of Contents	i
Official Roster	ii
Independent Accountant's Report	1
Schedule of Findings and Responses	6
Schedule of Revenues and Expenditures – Budget and Actual	9
Copy of Year-End Financial Report Submitted to DFA-LGD	10
Exit Conference	13

**Northeastern Soil & Water Conservation District
Official Roster
Fiscal Year Ending June 30, 2017**

Board of Supervisors

Justin Bennett, Chairman

Brett Bannon, Vice-Chairman

Randy Podzemny, Secretary/Treasurer

Gayle Rivale, Board Member

Larry Mason, Board Member

District Personnel

Jennifer Lutes, District Clerk

Independent Accountant's Report on Applying Agreed-Upon Procedures

Justin Bennett, Chairman
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, 2017, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 4 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, 2017 were \$81,533. Based on this information, the District was properly determined to be a Tier 4 entity for FY17 since their total revenues were between \$50,000 and \$250,000 and they did not receive or expend a 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, 2016 through June 30, 2017, 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 open as of the date of this report. The District had no investment accounts other than the CD's.

- b. Test at least 30% of the bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division.

The randomly selected bank reconciliations were accurate, and the ending balances on the bank reconciliations agreed with the District's general ledger and supporting documentation. However, the cash balances on the bank reconciliations did not agree with the cash balances on the quarterly financial reports submitted to DFA-LGD. See Finding 2017-001 on p. 6.

- 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, 2017 which was approved by the Board of Supervisors. The Association does not have any movable chattels and equipment that cost more than \$5,000 and none were noted during the agreed-upon procedures.

4. Revenue

- a. Identify the nature and amount of revenue from all 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 FY16 and FY17 revenue and budgeted revenue for FY17 were analyzed. The variances were adequately explained by the District Clerk.

- b. Select a sample of revenue equal to at least 30% of the total dollar amount and test 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 60% 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 equal to at least 30% of the total dollar amount and test 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 77% of total expenditures. 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 the Per Diem and Mileage Act (2.42.2 NMAC).

6. Journal Entries

- a. Test all non-routine journal entries, adjustments and reclassifications posted to the general ledger 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 during the monthly board meetings.

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 FY17 budget on June 13, 2016 (Resolution #4-2015-2016) which was approved by DFA-LGD on July 21, 2016. The District did not have any budget adjustments in FY17.

- 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 FY17 did not exceed the final approved budget. According to the District's general ledger, actual expenditures for FY17 were \$37,171 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. 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 (L) NMAC.

No other findings were noted during the agreed-upon procedures.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the subject matter. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of 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

December 11, 2017

**Northeastern Soil & Water Conservation District
Schedule of Findings and Responses
Fiscal Year Ending June 30, 2017**

Status of Prior Year Findings

None.

Current Year Findings

Finding 2017-001. Inaccurate Quarterly Reports to DFA-LGD

Condition

The cash balances reported on the District's general ledger and bank reconciliation did not agree with the quarterly financial reports submitted to the New Mexico Department of Finance & Administration (DFA-LGD) as follows:

Quarterly report for period ending 9/30/16:

Cash balance per general ledger and bank reconciliation	\$ 145,164
Cash balance per quarterly report to DFA-LGD	140,880
Difference	<u>\$ 4,284</u>

Quarterly report for period ending 3/31/17:

Cash balance per general ledger and bank reconciliation	\$ 127,695
Cash balance per quarterly report to DFA-LGD	128,344
Difference	<u>\$ 649</u>

Quarterly report for period ending 9/30/16:

Bank balance per bank statements	\$ 145,923
Bank balance per quarterly report to DFA-LGD	140,880
Difference	<u>\$ 5,043</u>

Quarterly report for period ending 12/31/16:

Bank balance per bank statements	\$ 135,236
Bank balance per quarterly report to DFA-LGD	134,525
Difference	<u>\$ 711</u>

Also, the monthly bank reconciliations reported outstanding checks for each month of the fiscal year, but the four quarterly reports to DFA-LGD did not report any outstanding checks.

Northeastern Soil & Water Conservation District
Schedule of Findings and Responses
Fiscal Year Ending June 30, 2017

Furthermore, the total revenue and expenditure amounts reported on the District's general ledger did not agree with the final quarterly report submitted to DFA-LGD as follows:

Final quarterly report for the fiscal year ending 6/30/17:

Total revenues per final report to DFA-LGD	\$ 94,668
Total revenues per general ledger	<u>81,533</u>
Difference	<u><u>\$ 13,135</u></u>
Total expenditures per final report to DFA-LGD	\$ 102,341
Total expenditures per general ledger	<u>88,829</u>
Difference	<u><u>\$ 13,512</u></u>

Criteria

As required by Section 6-6-2.F NMSA 1978, the District should submit accurate quarterly financial reports to DFA-LGD.

Effect

The District is not preparing the quarterly reports in accordance with the requirements of DFA-LGD. Inaccurate financial reporting misleads the users of the financial information.

Cause

The District Clerk that prepared and submitted the quarterly reports to DFA-LGD no longer works for the District. The current District Clerk was unable to explain the reporting differences. The Board of Supervisors did not detect the reporting differences when the former District Clerk presented the quarterly reports to them during the board meetings.

Recommendation

The District Clerk should prepare the quarterly reports from the account balances in the general ledger and the bank statements. If there are differences, the District Clerk should investigate and correct the differences, and fully disclose them in the quarterly reports to DFA-LGD. Before the District Clerk submits the quarterly reports to DFA-LGD, the Board of Supervisors should review the quarterly reports to ensure that the amounts in the reports agree with the general ledger reports, bank statements and bank reconciliations.

**Northeastern Soil & Water Conservation District
Schedule of Findings and Responses
Fiscal Year Ending June 30, 2017**

Management's Response

The former District Clerk would only present the monthly QuickBooks statement with account balances at the board meetings. The NESWCD Board Chairman Justin Bennett will work with current District Clerk going forward from today's date 12/06/2017 to ensure that the quarterly reports are generated from the account balances in the general ledger and the bank statements. If there are differences, the District Clerk will investigate and correct the differences, and fully disclose them in the quarterly reports to DFA-LGD. The NESWCD Board Chairman Justin Bennett will work with the current District Clerk going forward from today's date 12/06/2017 to make sure that before the District Clerk submits the quarterly reports to DFA-LGD, the Board of Supervisors will review the quarterly reports to ensure that the amounts in the reports agree with the general ledger reports, bank statements and bank reconciliations. The entire board will review quarterly reports during the corresponding monthly board meeting held on the 2nd Monday at 10:00 am when those reports are complete.

**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, 2017**

Exhibit 1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
Grass Seed and Tree Sales	\$ 107,500	\$ 107,500	\$ 65,921	\$ (41,579)
Legislative Funding - NMSU	14,500	14,500	13,699	(801)
Interest	2,000	2,000	251	(1,749)
Rent	2,000	2,000	-	(2,000)
Federal Funding - NRCS	-	-	1,615	1,615
Miscellaneous	-	-	47	47
Total Revenues	<u><u>\$ 126,000</u></u>	<u><u>\$ 126,000</u></u>	<u><u>\$ 81,533</u></u>	<u><u>\$ (44,467)</u></u>
Expenditures:				
Personnel Services	\$ 15,600	\$ 15,600	\$ 16,673	\$ (1,073)
Gross Receipts Taxes	2,000	2,000	68	1,932
Advertising & Public Relations	800	800	902	(102)
Building Rental	2,400	2,400	2,400	-
Office Supplies	-	-	-	-
Mileage & Per Diem	10,000	10,000	5,600	4,400
Office Expenses	250	250	365	(115)
Materials, Tress & Grass Seed	-	-	51,536	(51,536)
Annual Audit	4,200	4,200	3,424	776
Dues & Board Fees	1,750	1,750	875	875
Contractual Services	3,360	3,360	327	3,033
Training & Education	-	-	10	(10)
Insurance/Bonds	1,250	1,250	900	350
Miscellaneous - Chipper Expense	84,390	84,390	-	84,390
Meetings	-	-	750	(750)
Water Quality Grant Project	-	-	5,000	(5,000)
Total Expenditures	<u><u>\$ 126,000</u></u>	<u><u>\$ 126,000</u></u>	<u><u>\$ 88,829</u></u>	<u><u>\$ 37,171</u></u>

Northeastern Soil and Water Conservation District

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

SWCD:
Northeastern

Period Ending: 6/30/2017

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	23	245	2000	0.1225
Hazardous Fuels Income	0	0	0	
Grass Seed and or Tree Sales	61100	80724	107500	0.750924558
Book Sales	0	0	0	
Rent Revenue	0	0	2000	0
Brush Control Materials	0	0	0	
Noxious Weed Program	0	0	0	
Conservation Sale Items	0	0	0	
Miscellaneous	0	0	0	
	0	0	0	
	0	0	0	
	0	0	0	
TOTAL GENERAL FUND REVENUES	\$ 61,123	\$ 80,969	\$ 111,500	0.72618287
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	7210	13699	14500	0.944758621
Miscellaneous (e.g. NMDA)	0	0	0	
TOTAL GRANT REVENUES	\$ 7,210	\$ 13,699	\$ 14,500	0.944758621
Other 299				
Contract Services	0	0	0	
Educational Income	0	0	0	
Charges for Services	0	0	0	
Capital Outlay Funded	0	0	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	\$ -	\$ -	\$ -	
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	\$ 68,333	\$ 94,668	\$ 126,000	0.751336429

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: 6/30/2017

EXPENDITURES	CURRENT QUARTER	YEAR TO DATE	APPROVED BUDGET	% OF BUDGET
GENERAL FUND 101				
Personnel Services, (Salaries and Benefits)	4,433	15,600	15,600	1
Mileage and Per Diem	2,221	5,600	10,000	0.56
Vehicle Expense (Insurance, gas, maintenance)	0	0	0	
Building Expenses (e.g. rent/maintenance)	600	2,400	2,400	1
Utilities (Electricity, Natural Gas, Propane, Water, Sewer)	0	0	0	
Telephone	0	0	0	
Postage Expense	0	0	0	
Office Supplies and Other Expenses	0	276	250	1.104
Office Furniture and Equipment	0	0	0	
Advertising and Public Relations (e.g. newsletter)	571	702	800	0.8775
Training, Workshops & Education expense	0	0	0	
Annual Audit/Financial Report Expenses	0	3,424	4,200	0.8152381
Dues and Board Fees	0	1,100	1,750	0.62857143
Election Expense	0	0	0	
Field Supplies & Equipment	0	0	0	
Cost Sharing Expense	0	0	0	
Brush Control Expenses	0	0	0	
Contractual Fees and Other Services (Comm. Proj.)	327	327	3,360	0.09732143
GRT Taxes	13	67	2,000	0.0335
Miscellaneous (e.g. Meetings)	61,358	71,945	84,390	0.85252992
	0	0	0	
	0	0	0	
	0	0	0	
Total General Fund Expenditures	\$ 69,523	\$ 101,441	\$ 124,750	0.81315431
Intergovernmental Grants Expenditures 218				
State or University Grants	0	0	0	
Federal Grants	0	0	0	
State Grants	0	0	0	
Local Grants	0	0	0	
Private Grants	0	0	0	
Legislative Funding	0	0	0	
Other	0	0	0	
Total Grant Expenditures	\$ -	\$ -	\$ -	
Other Expenditures 299				
Loan Payments	0	0	0	
Capital Outlay Expenses/Capital Projects	0	0	0	
Conservation and Environmental Control Expenses	0	0	0	
Bonding	0	900	1,250	0.72
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	\$ -	\$ 900	\$ 1,250	0.72
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	\$ 69,523	\$ 102,341	\$ 126,000	0.81223016

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

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

PLEASE SUBMIT TO LOCAL GOVERNMENT DIVISION NOT LATER THAN ONE MONTH AFTER THE CLOSE OF EACH QUARTER. I HEREBY CERTIFY THAT THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.
 Jennifer Lutes

Soil and Water Conservation District: Northeastern
 Period Ending: 06/30/17

Fund #	FUND	CASH BALANCE PER BOOKS July 1, 2016	YEAR TO DATE TRANSACTIONS PER BOOKS QUARTERLY REPORT									
			REVENUES TO DATE	NET TRANSFERS	EXPENDITURES TO DATE	BOOK BALANCE END OF PERIOD	ADD: OUTSTANDING CHECKS	LESS: DEPOSITS IN TRANSIT	ADJUSTMENTS	ADJUSTED BALANCE END OF PERIOD	BALANCE PER BANK STATEMENTS	DIFFERENCE
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
101	GENERAL FUND	\$ 140,019.00	80,969	-	101,441	119,547	-	-	-	119,547	132,347	(12,799)
218	INTERGOVERNMENTAL GRANTS		13,699	-	-	13,699	-	-	-	13,699	(900)	13,699
299	OTHER		-	-	900	(900)	-	-	-	-	-	(900)
400	DEBT SERVICE		-	-	-	-	-	-	-	-	-	-
	GRAND TOTAL	\$ 140,019	\$ 94,668	\$ -	\$ 102,341	\$ 132,346	\$ -	\$ -	\$ -	\$ 132,346	\$ 132,347	\$ -

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

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

Northeastern Soil & Water Conservation District
Exit Conference
Fiscal Year Ending June 30, 2017

On December 11, 2017, the following officials held an exit conference to discuss the results of the agreed upon procedures and the contents of this report:

Northeastern Soil & Water Conservation District

Justin Bennett, Board Chairman
April Vogt, District Clerk

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, General Manager