

**STATE OF NEW MEXICO  
OTERO SOIL AND WATER  
CONSERVATION DISTRICT  
Independent Accountants' Report on  
Applying Agreed-Upon Procedures  
Year Ended June 30, 2011**

Dan Austin CPA, PC  
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**STATE OF NEW MEXICO  
OTERO SOIL AND  
WATER CONSERVATION DISTRICT  
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June 30, 2011**

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**STATE OF NEW MEXICO  
OTERO SOIL AND  
WATER CONSERVATION DISTRICT  
Official Roster  
June 30, 2011**

**Board of Supervisors**

Bill Mershon  
Rick Baish  
Eddie Vigil  
Jeff Rabon  
Bob Nichols  
Clyde Davis, Jr.  
James Everage

Chairman  
Vice-Chairman  
Secretary/Treasurer  
Supervisor  
Supervisor  
Supervisor  
Supervisor

**Staff**

Victoria Milne

District Manager

**Dan Austin CPA, PC  
700 Mechem Drive Ste. 15  
Ruidoso, NM 88345**

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

Bill Mershon, Chairman and  
The Board of Supervisors  
Otero Soil and Water Conservation District  
and Honorable Hector H. Balderas New Mexico State Auditor

We have performed the procedures enumerated below for the Otero Soil and Water Conservation District (OSWCD), for the year ended June 30, 2011. The OSWCD was determined to be a Tier 5 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 OSWCD through the Office of the New Mexico State Auditor. The Otero Soil and Water Conservation District's management is responsible for the organization's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, 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. Cash**

Procedures:

- (a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.
- (b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division (DFA-LGD).
- (c) Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Findings:

The OSWCD has two bank accounts and utilizes Quickbooks to record transactions. All bank reconciliations are performed within days of receiving the bank statements and all were complete and on-hand.

Random tests of bank reconciliations revealed that the reconciliations were accurate and agreed with supporting documentation and with the quarterly financial reports submitted to DFA-LGD.

**2. Capital Assets**

Procedures:

- (a) Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA1978.

Findings:

The OSWCD performed a yearly inventory as required by Section 12-6-10 NMSA 1978 and maintains a capital asset listing.

### 3. Revenue

Procedures:

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

(a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

(b) Test 50% of the total amount of revenues for the following attributes:

Amount recorded in the general ledger agrees to the supporting documentation and the bank statement. Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

Findings:

Analytical review and test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions. Amounts recorded in Quickbooks agreed with supporting documentation and the amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation.

### 4. Expenditures

Procedures:

(a) Select a sample of cash disbursements and test the total amount of expenditures for the following attributes:

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

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

(d) 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:

Amounts recorded as disbursed agreed to supporting documentation. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and cancelled check, as appropriate.

Disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

The bid process (or request for proposal process, if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

## 5. Journal Entries

### Procedures:

- (a) If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:
- (b) Journal entries appear reasonable and have supporting documentation.
- (c) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

## Findings:

The OSWCD utilizes Quickbooks to record cash transactions only and did not prepare journal entries.

## 6. Budget

### Procedures:

- (a) Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:
- (b) 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.
- (c) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.
- (d) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures - budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

## Findings:

A review of the minutes revealed that the original budget was approved by the OSWCD and the DFA-LGD. There were four subsequent budget adjustments which were approved by the DFA-LGD.

Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.

A schedule of revenues and expenditures - budget and actual was prepared on the cash budgetary basis used by the OSWCD.

## 7. Capital Outlay Appropriations

### Procedures:

- (a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify the amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- (b) Determine that the cash disbursements were properly authorized and approved in accordance with budget, legal requirements and established policies and procedures.
- (c) Determine that the bid process, purchase orders, contracts and agreements were processed in accordance with New Mexico Procurement Code and State Purchasing Regulations.
- (d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- (e) Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with general ledger and other 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.
- (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.
- (h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing is so required by the capital outlay award agreement.
- (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.

Findings:

The OSWCD was the recipient of capital outlay funds (FYE 2006-2012) to prepare a comprehensive hydrogeologic study of the Sacramento Mountains. New Mexico State University is the fiscal agent for the project. The project is ongoing.

A review of all disbursements was made to determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify the amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate. No exceptions were noted. (See Page 8)

All funds are requested from NMSU and immediately disbursed to the contractor. No funds were received in advance. (See Page 8)

A review was made to 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. No exceptions were noted.

A review was made to determine that the cash disbursements were properly authorized and approved in accordance with budget, legal requirements and established policies and procedures. No exceptions were noted. (See Page 8)

#### 8. 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, 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10 (I) (3) (C)NMAC.

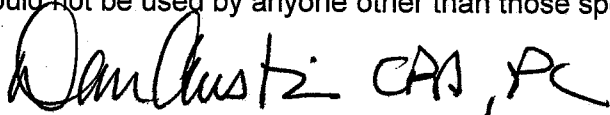
Findings

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies.

The Report was submitted late to the Office of the State Auditor.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, 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 Otero Soil and Water Conservation District, the New Mexico State Auditor's Office and the DFA-LGD and is not intended to be and should not be used by anyone other than those specified parties.



Dan Austin CPA, P. C.  
Ruidoso, New Mexico  
November 7, 2011



STATE OF NEW MEXICO  
 OTERO SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (CASH BASIS)  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
BLM-Noxious Weed Control	\$ 20,000	\$ 448	\$ 448	\$ -
USDA-Childrens' Forest	30,000	26,254	26,254	-
State of NM-HB-2	9,533	9,533	9,436	(97)
State of NM-State Forestry	-	223,344	223,344	-
State of NM-SWCC Grant	3,749	3,749	3,741	-
State of NM-Capital Outlay	351,761	326,121	326,121	-
Otero County	80,419	75,953	75,953	-
Charge for Services	42,000	23,655	23,655	-
Interest Income	100	27	27	-
Other Sources	-	800	770	(30)
<b>Total revenues</b>	<u>537,562</u>	<u>689,884</u>	<u>689,749</u>	<u>(127)</u>
<b>Expenditures</b>				
Current:				
BLM-Noxious Weed Control	\$ 25,000	\$ -	\$ -	\$ -
USDA-Childrens' Forest	26,000	26,000	24,878	1,122
State of NM-State Forestry	-	219,283	219,283	-
State of NM-Capital Outlay	349,661	324,022	324,022	-
Other Grants\	31,600	31,700	28,229	3,471
Salary Expense	75,014	78,052	78,052	-
Travel	8,000	3,695	3,695	-
Operating Expense	12,215	9,328	9,328	-
Audit	3,683	3,683	3,683	-
<b>Total expenditures</b>	<u>531,173</u>	<u>695,763</u>	<u>691,170</u>	<u>\$ 4,593</u>
Excess (Deficiency) of Revenues over Expenditures	6,389	(5,879)	(1,421)	
Cash Balance, Beginning	25,260	25,260	25,260	
<b>Cash Balance, Ending</b>	<u>\$ 31,649</u>	<u>\$ 19,381</u>	<u>\$ 23,839</u>	



**STATE OF NEW MEXICO  
OTERO SOIL AND WATER CONSERVATION DISTRICT  
Schedule of Findings and Responses  
Year Ended June 30, 2011**

**Prior Year Audit Findings**

**10-A. Audit Report Submitted Late**

**Current Year Findings**

None

**STATE OF NEW MEXICO  
OTERO SOIL AND WATER CONSERVATION DISTRICT  
Exit Conference  
Year Ended June 30, 2011**

**EXIT CONFERENCE**

The report contents were discussed at an exit conference held on November 10, 2011 with the following in attendance:

Otero Soil and Water Conservation District

Eddie Vigil, Secretary/Treasurer  
Victoria Milne, District Manager

Accounting Firm

Dan Austin, CPA