

**State of New Mexico
Otero Soil and Water Conservation District**

**Independent Accountants' Report on
Applying Agreed-Upon Procedures**

Year Ended June 30, 2013

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

State of New Mexico
Otero Soil and Water Conservation District
Table of Contents
June 30, 2013

Table of Contents	1
Official Roster	2
Independent Accountants' Report on Applying Agreed Upon Procedures	3
Schedule of Revenues and Expenditures - Budget and Actual (Cash Basis)	9
Copy of Year-end Financial Report to DFA	10
Schedule of Findings and Reponses	11
Exit Conference	12

**State of New Mexico
Otero Soil and Water Conservation District
Official Roster
June 30, 2012**

Board of Supervisors

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

Chairman
Vice-Chairman
Secretary/Treasurer
Supervisor
Supervisor
Supervisor
Supervisor

Staff

Victoria Milne

District Manager

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, 2013. 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.

The District had no uninsured deposits during the current year; therefore pledged securities were not required as described in the New Mexico Public Money Act.

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.

Select a sample revenue based on auditor judgment using the for the following attributes:

- (b) Amount recorded in the general ledger agrees to the 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 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:

We completed an analytical review and test of actual revenue on a cash basis and compared to budgeted revenue for the year for each type of revenue. No exceptions were noted.

We selected a sample of revenues recorded in Quickbooks general ledger and tested the amount recorded for supporting documentation agreement to the bank statement. No exceptions were noted.

- (a) We tested a sample for proper classification, amount and period recorded in the general ledger on a cash basis. No exceptions were noted.

4. Expenditures

Procedures:

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

- (a) 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.
- (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:

We selected a sample of cash disbursements and tested the sample for amounts recorded as disbursed, supporting documentation. We tested the amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and cancelled check. No exceptions were noted.

We tested the sample to determine disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. No exceptions were noted.

Were applicable, we tested the sample for documentation of 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). No exceptions were noted.

5. Journal Entries

Procedures:

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test the 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 OSWCD utilizes Quickbooks to record cash transactions only and did not prepare journal entries. No exceptions were noted.

6. Budget

Procedures:

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 original 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 exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.
- (c) 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. The approved budgets were submitted to the DFA-LGD. However, the District did not receive any correspondence or approval from the DFA-LGD. Subsequent budget adjustments were approved by the District Board and submitted to the DFA-LGD. The District received no response from 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:

Test all capital outlay expenditures during the fiscal year to:

- (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, and 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 as 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 2006-2013) to prepare a comprehensive hydro-geologic 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, and vendor's invoice and canceled check, as appropriate. No exceptions were noted.

All funds are requested from NMSU and immediately disbursed to the contractor. No funds were received in advance.

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.

8. Other Procedures

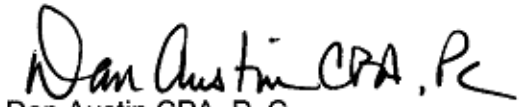
If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose in the report as required by Section, 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10 (I) (3) (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.

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.

A handwritten signature in black ink that reads "Dan Austin CPA, P.C." with a stylized flourish at the end.

Dan Austin CPA, P. C.
Ruidoso, New Mexico
November 7, 2013

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, 2013

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
BLM/NMSF-Noxious Weed Control	\$ 10,000	\$ 1,000	\$ 1,000	\$ -
NM Energy and Minerals-Invasive Weeds	20,000	6,873	6,873	-
NMDA Points System	13,000	12,990	12,990	-
BLM Hazardous Fuel	159,259	300,145	300,145	-
USFS Watershed Study	92,000	48,286	48,286	-
State of NM-SWCC Grant	28,859	29,237	29,237	-
State of NM-Capital Outlay	149,195	149,790	149,790	-
Otero County	76,000	66,000	66,000	-
Charge for Services and Supplies	10,000	9,819	9,819	-
Interest Income	50	4	4	-
Total revenues	<u>558,363</u>	<u>624,144</u>	<u>624,144</u>	<u>-</u>
Expenditures				
Current:				
USFS Watershed Study	50,000	48,286	48,286	-
State of NM-Capital Outlay	149,195	141,897	141,897	-
BLM Hazardous Fuels	159,259	296,379	296,379	-
Other Grants	70,859	27,407	27,407	-
Conservation Projects	10,000	3,060	3,060	-
Cost Sharing Projects	10,000	11,014	11,014	-
Salary Expense	76,000	72,137	72,137	-
Operating Expense	22,485	17,895	17,895	-
Agreed Upon Procedures-OSA	3,693	3,693	3,693	-
Total expenditures	<u>551,491</u>	<u>621,768</u>	<u>621,768</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues over Expenditures	6,872	2,376	2,376	
Cash Balance, Beginning	18,121	18,121	18,121	
Cash Balance, Ending	<u>\$ 24,993</u>	<u>\$ 20,497</u>	<u>\$ 20,497</u>	

DEPARTMENT OF FINANCE AND ADMINISTRATION
 LOCAL GOVERNMENT DIVISION
 BUDGET AND FINANCE BUREAU

SPECIAL DISTRICT FINANCIAL QUARTERLY REPORT FORM

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.

Special District: Otero SWCD
 Quarter Ending: 30-Jun-13
 Prepared by: Victoria A. Milne

QUARTERLY YEAR TO DATE TRANSACTIONS PER BOOKS

Fund	FUND	CASH BALANCE: PER BOOKS July 1, 2012	INVESTMENTS YEAR TO DATE	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
101	GENERAL	18,121.07	-	388,958.30	-	402,286.32	4,791.05	28,413.21	-	-	33,204.26	48,650.10	(15,445.84)
218	INTERGOVT GRANTS	-	-	56,158.94	-	49,011.68	7,147.26	-	-	-	7,147.26	-	7,147.26
299	OTHER	-	-	179,026.33	-	170,467.75	8,558.58	-	-	-	8,558.58	-	8,558.58
400	DEBT SERVICE	-	-	-	-	-	-	-	-	-	-	-	-
	GRAND TOTAL	\$ 18,121.07	\$ -	\$ 624,143.57	\$ -	\$ 621,765.75	\$ 30,496.89	\$ 28,413.21	\$ -	\$ -	\$ 48,910.10	\$ 48,650.10	\$ 260.00

**State of New Mexico
Otero Soil and Water Conservation District
Schedule of Findings and Responses
Year Ended June 30, 2013**

Prior Year Findings

None

Current Year Findings

None

**State of New Mexico
Otero Soil and Water Conservation District
Exit Conference
Year Ended June 30, 2013**

EXIT CONFERENCE

The report contents were discussed at an exit conference held on November 11, 2013 with the following in attendance:

Otero Soil and Water Conservation District

Eddie Vigil, Secretary/Treasurer
Victoria Milne, District Manager

Accounting Firm

Dan Austin, CPA