

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

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

Year Ended June 30, 2015

Dan Austin CPA, PC
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State of New Mexico
Otero Soil and Water Conservation District
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June 30, 2015

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**State of New Mexico
Otero Soil and Water Conservation District
Official Roster
June 30, 2015**

Board of Supervisors

Bill Mershon
Rick Baish
Jeff Rabon
Eddie Vigil
Bob Nichols
Thomas Mendez
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 Tim Keller, 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, 2015. 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 in May, 2015 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 consisting of 80% of recorded revenues in Quickbooks general ledger. We tested the amount recorded for supporting documentation agreement to the bank statement. 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 noncapital outlay cash disbursements amounting to 75% of the total noncapital outlay 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 on May 12, 2014 and submitted to the DFA-LGD. DFA-LGD approved the budget on August 31, 2014.

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 if 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 2006-2014) to prepare a comprehensive hydro-geologic study of the Sacramento Mountains. New Mexico State University is the fiscal agent for the project. The project was completed in 2015..

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 test of 100% of capital outlay expenditures was made to determine whether reimbursement requests were properly supported by costs incurred by the recipient. A test 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 Capital Outlay Schedule on page 11.

8. Other Procedures

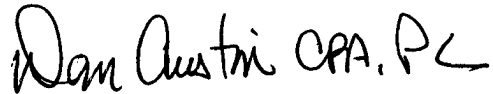
If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose in the report as required by Section, 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10 (I) (3) (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, the State Legislature of New Mexico and the Department of Finance and Administration-Local Government Division 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." The signature is written in a cursive, flowing style.

Dan Austin CPA, P. C.
Ruidoso, New Mexico
November 23, 2015

STATE OF NEW MEXICO
 OTERO SOIL AND WATER CONSERVATION DISTRICT
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (CASH BASIS)
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues				
Otero County	\$ 100,000	\$ 52,500	\$ 52,500	\$ -
NMDA Points System	13,000	14,741	14,741	-
Federal Grants-BLM Hazardous Fuel	330,000	127,576	127,576	-
Federal Grants-Other	160,042	27,564	27,564	-
Interest Income	10	3	3	-
State of NM-Capital Outlay	35,114	34,003	34,003	-
Charge for Services and Supplies	42,190	10,574	10,574	-
Total revenues	<u>680,356</u>	<u>266,961</u>	<u>266,961</u>	<u>-</u>
Expenditures				
Current:				
Contract Services-Grants	330,000	7,290	7,290	-
State of NM-Capital Outlay	35,114	34,903	34,903	-
Conservation Projects	142,568	123,511	123,511	-
Cost Sharing Projects	10,000	3,531	3,531	-
Salary Expense	73,523	65,297	65,297	-
Operating Expense	46,234	30,838	30,838	-
Total expenditures	<u>637,439</u>	<u>265,370</u>	<u>265,370</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues over Expenditures	42,917	1,591	1,591	
Cash Balance, Beginning	35,848	35,848	35,848	
Cash Balance, Ending	<u>\$ 78,765</u>	<u>\$ 37,439</u>	<u>\$ 37,439</u>	

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

SOIL AND WATER CONSERVATION DISTRICT QUARTERLY FINANCIAL REPORT

I HEREBY CERTIFY THAT THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.

Theresa A. [Signature]

S.W.C.D.: Oleto
Period Ending: 6/30/15

FUND	Fund Number	UNAUDITED BEGINNING CASH BALANCE @ July 1	INVESTMENTS (if used in the daily operations)	REVENUES TO DATE	NET TRANSFERS	EXPENDITURES TO DATE	BOOK BALANCE END OF PERIOD
GENERAL FUND	101	35,848.31	0.00	225,012.04	0.00	224,077.21	36,783.14
INTERGOVERNMENTAL GRANTS	218	0.00	0.00	7,946.02	0.00	7,289.53	656.49
OTHER	299	0.00	0.00	34,002.88	0.00	34,002.88	0.00
DEBT SERVICE	400	0.00	0.00	0.00	0.00	0.00	0.00
GRAND TOTAL		35,848.31	0.00	266,960.94	0.00	265,369.62	37,439.63

\$37,439.63
(num check)

USER NOTES:
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SUBMIT TO LOCAL GOVERNMENT DIVISION NO LATER THAN ONE MONTH AFTER THE CLOSE OF EACH QUARTER.

STATE OF NEW MEXICO
 OTERO SOIL AND WATER CONSERVATION DISTRICT
 SCHEDULE OF CAPITAL OUTLAY
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Hydrogeological Study of the Sacramento Mountains:

Capital Outlay Award	HB 191 SEC 23	HB 190 SEC 85	Total
Award Amount	\$ 130,000	\$ 168,390	\$ 298,390
Amount Received	130,000	169,390	299,390
Amount Expended	130,000	168,390	298,390
Administration Fees Retained	6,076	8,019	14,095
Remaining Balance	-	-	-
Effective Dates	07/01/12 TO 07/30/14	07/01/12 TO 07/30/16	

**State of New Mexico
Otero Soil and Water Conservation District
Schedule of Findings and Responses
Year Ended June 30, 2015**

Prior Year Findings

None

Current Year Findings

None

**State of New Mexico
Otero Soil and Water Conservation District
Exit Conference
Year Ended June 30, 2015**

EXIT CONFERENCE

The report contents were discussed at an exit conference held on November 25, 2015 at the offices of Otero Soil and Water Conservation District with the following in attendance:

Otero Soil and Water Conservation District

Eddie Vigil, Supervisor
Victoria Milne, District Manager

Accounting Firm

Dan Austin, CPA