

STATE OF NEW MEXICO
SIERRA SOIL & WATER CONSERVATION DISTRICT
TIER 6 AGREED UPON PROCEDURES REPORT
FOR THE YEAR ENDED JUNE 30, 2017

STATE OF NEW MEXICO
SIERRA SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
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FOR THE YEAR ENDED JUNE 30, 2017

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STATE OF NEW MEXICO
SIERRA SOIL & WATER CONSERVATION DISTRICT
OFFICIAL ROSTER
JUNE 30, 2017

Board of Supervisors

NAME	TITLE
Willard Hall	Chairperson
Randy Coil	Board Supervisor
Randy Lack	Board Supervisor
Jennie Bierner	Board Supervisor
Ronnie Woolf	Board Supervisor
Beau Marshall	Board Supervisor
Steve Janos	Board Supervisor

District Personnel

Crystal Diamond	District Manager
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Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Timothy Keller, State Auditor
and the Mayor and Village Council of the
Carlsbad Soil & Water Conservation District, New Mexico

We have performed the procedures enumerated in the attached schedule of procedures and results, which were agreed to by the Office of the State Auditor and the Sierra Soil & Water Conservation District, have specified, listed in the attached schedule, as require by Tier 6 of the Audit Act- Section 12-6-3B(6) NMSA 1978 and Section 2.2.2.16 NMAC for the year ended. Sierra Soil & Water Conservation District's management is responsible for the district'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 in the attached schedule either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are included in the attached schedule.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 of the Sierra Soil & Water Conservation District for the year ending June 30, 2017. Accordingly, the firm does 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 Sierra Soil & Water Conservation District, the New Mexico State Auditor's Office, Department of Finance Administration, Local Government Division, and the New Mexico Legislature and is not intended to be and should not be used by anyone other than those specified parties.

Beasley Mitchell & Co LLP
Beasley, Mitchell & Co.
Las Cruces, New Mexico
October 20, 2017

STATE OF NEW MEXICO
SIERRA SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF PROCEDURES AND RESULTS

1. Revenue Calculation and Tier Determination

Procedures

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

Results of Procedure

Sierra Soil & Water Conservation District (SSWCD) had revenue of \$410,849, therefore a Tier 6 agreed upon procedure engagement is required.

2. 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) 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.
- 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.

Results of Procedure

- a) We obtained bank statements and corresponding reconciliation's for all of the SSWCD's accounts as of June 30, 2017. No exceptions were noted as a result of this procedure. Bank reconciliation's were completed in a timely manner, and all bank statements and reconciliation's are complete and on hand.

STATE OF NEW MEXICO
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SCHEDULE OF PROCEDURES AND RESULTS

2. Cash (Continued)

Results of Procedure

- b) We obtained all quarterly DFA reports for SSWCD's as of June 30, 2017. No exceptions were noted as a result of this procedure. DFA cash matched that in the general ledger
- c) Sierra Soil & Water Conservation District had pledge collateral of \$50,000 SSWCD is in compliance with collateralizing uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act.

3. Capital Assets

Procedures

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

Results of Procedure

No exceptions noted. The SSWCD last inventory count was completed during FYE 2017.

4. Debt

Procedures

If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements.

Results of Procedure

We obtained the annual debt statements, sent confirmations, and verified that all payments were made during the year. SSWCD is in compliance with debt service requirements.

STATE OF NEW MEXICO
SIERRA SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF PROCEDURES AND RESULTS

5. 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 of revenues equal to at least 30% of the total dollar amount and test 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.

Results of Procedure

- a) Actual revenue compared to budgeted revenue for the fiscal year is reasonable and within expectations. The variance analysis for the budgets to actual may be noted in the budgetary analysis on pages 12 - 13.
- b) A sample of 2 revenues totaling \$165,791 were tested. No exceptions were noted as a result of this procedure. Amounts recorded in the general ledger agreed with supporting documents.
- c) A sample of 2 revenues totaling \$165,791 were tested. No exceptions were noted as a result of this procedure. Amounts were recorded on a cash basis as to classification, amount and period per review of supporting documentation.

STATE OF NEW MEXICO
SIERRA SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF PROCEDURES AND RESULTS

6. Expenditures

Procedures

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test 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 canceled 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 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Results of Procedure

- a) 38 expenditures totaling \$138,563 were tested. No exceptions were noted as a result of this procedure. The amounts recorded as disbursed agreed to supporting documentation: amount paid, payee date and description agreed with the vendor's invoice, purchase order, contract, and canceled check, as appropriate.
- b) The 25 disbursements tested were properly authorized and approved in compliance with the budget, legal requirements, and established policies and procedures.
- c) There were no exceptions noted as a result of this procedure for the bid process (or request for proposal process, if applicable), contracts and agreements were processed in accordance with the New Mexico Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing 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).

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SIERRA SOIL & WATER CONSERVATION DISTRICT
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SCHEDULE OF PROCEDURES AND RESULTS

7. Journal Entries

Procedures

Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger 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.

Results of Procedure

- a) We reviewed all non-routine journal entries and they, all have supporting documentation and appear reasonable.
- b) We reviewed all non-routine journal entries and they, all have been properly approved.

8. 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 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 budgets 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.

STATE OF NEW MEXICO
SIERRA SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF PROCEDURES AND RESULTS

8. Budget (Continued)

Results of Procedure

- a) The review of Board minutes and letter from the State indicated that the budget and budget adjustments were approved by the board and the DFA.
- b) Budgeted amounts from the general ledger exceeded total actual expenditures by \$(279,840) as disclosed in the variance analysis for budget to actual on pages 13. The district is in budgetary compliance.
- c) A schedule of revenue and expenses - budget and actual was prepared from Sierra Soil & Water Conservation District records on cash budgetary basis on pages 13.

9. Capital Outlay Appropriations

Procedures

The scope of the agreed-upon procedures engagement shall encompass any and all state-funded capital outlay appropriations of the New Mexico Legislature that meet Tier 6 criteria. Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year that meet the Tier 6 criteria. Perform the following tests on all state-funded capital outlay expenditures:

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

STATE OF NEW MEXICO
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SCHEDULE OF PROCEDURES AND RESULTS

9. Capital Outlay Appropriations (Continued)

Procedures (Continued)

- c) Determine that the bid process (or request for proposal process is 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).
- 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 the 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.

STATE OF NEW MEXICO
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SCHEDULE OF PROCEDURES AND RESULTS

9. Capital Outlay Appropriations (Continued)

Results of Procedure

- a) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- b) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- c) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- d) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- e) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- f) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- g) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- h) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- i) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.

10. Other

Procedures

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(1)(3)(C) NMAC.

STATE OF NEW MEXICO
SIERRA SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF PROCEDURES AND RESULTS

10. Other (Continued)

Results of Procedure

It was noted that the District sold 3 items in the capital asset list without approval from the DFA, and without notifying the Office of the State Auditor, see finding 2017-001.

STATE OF NEW MEXICO
SIERRA SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
New Mexico Department of Agriculture	\$ 14,000	\$ 14,000	\$ 13,699	\$ (301)
Mill levy	260,000	260,000	268,855	8,855
Intergovernmental revenue and grants	226,300	226,300	4,542	(221,758)
Rents	-	-	74,581	74,581
Fees and charges for services	2,000	2,000	17,675	15,675
Loan proceeds	-	-	88	88
Interest income	167	167	144	(23)
Other revenue	<u>3,000</u>	<u>3,000</u>	<u>24,226</u>	<u>21,226</u>
Total revenues	505,467	505,467	403,810	(101,657)
EXPENDITURES:				
General government	451,806	451,806	249,219	202,587
Payroll and related costs	166,830	166,830	134,788	32,042
Debt service-principal	<u>6,500</u>	<u>6,500</u>	<u>6,683</u>	<u>(183)</u>
Total expenditures	<u>625,136</u>	<u>625,136</u>	<u>390,690</u>	<u>234,446</u>
Deficiency of revenues over expenditures	<u>(119,669)</u>	<u>(119,669)</u>	<u>13,120</u>	<u>336,103</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Total other financing uses	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Net changes in fund balance	<u>(124,669)</u>	<u>(124,669)</u>	<u>8,120</u>	<u>336,103</u>
Fund balance - beginning of the year	<u>205,252</u>	<u>205,252</u>	<u>205,252</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 80,583</u>	<u>\$ 80,583</u>	<u>\$ 213,372</u>	<u>\$ 336,103</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 8,120</u>	
Net change in fund balance GAAP basis			<u>\$ 8,120</u>	

STATE OF NEW MEXICO
SIERRA SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
IRRIGATION WORKS
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Loan proceeds	\$ 35,785	\$ 35,785	\$ 7,034	\$ (28,751)
Interest income	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
Total revenues	35,785	35,785	7,039	(28,746)
EXPENDITURES:				
Note disbursement	65,438	65,438	28,040	37,398
Debt service				
Principal	43,916	43,916	35,920	7,996
Interest	<u>1,684</u>	<u>1,684</u>	<u>1,684</u>	<u>-</u>
Total expenditures	<u>111,038</u>	<u>111,038</u>	<u>65,644</u>	<u>45,394</u>
OTHER FINANCING SOURCES				
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total other financing sources	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net changes in fund balance	<u>(70,253)</u>	<u>(70,253)</u>	<u>(53,605)</u>	<u>16,648</u>
Fund balance - beginning of the year	<u>60,878</u>	<u>60,878</u>	<u>60,878</u>	<u>-</u>
Fund balance - end of the year	<u>\$ (9,375)</u>	<u>\$ (9,375)</u>	<u>\$ 7,273</u>	<u>\$ 16,648</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (53,605)</u>	
Net change in fund balance GAAP basis			<u>\$ (53,605)</u>	

STATE OF NEW MEXICO
SIERRA SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINDINGS:

2016-001	Budget Reporting	Resolved
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CURRENT YEAR FINDINGS:

2017-001	Disposal of Capital Assets - Significant Deficiency
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STATE OF NEW MEXICO
SIERRA SOIL & WATER CONSERVATION DISTRICT
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

Disposal of Capital Assets (2017-001) - Significant Deficiency

CONDITION	It was noted that the District sold 3 items in the capital asset list without approval from the DFA, and without notifying the Office of the State Auditor.
CRITERIA	Sections 13-6-1 and 13-6-2 NMSA 1978 govern the disposition of tangible personal property owned by state agencies, local public bodies, school districts, and state educational institutions. At least 30 days prior to any disposition of property included on the agency inventory list described at Subsection W of 2.2.2.10 NMAC, written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the action shall be sent to the state auditor.
CAUSE	The District does not have a policy in place for disposal of capital assets.
EFFECT	The District is at risk for the possible misappropriation of assets.
RECOMMENDATION	We recommend the SSWCD set forth a policy for disposal of capital assets that includes proper authorization from the New Mexico Department of Finance Authority.
RESPONSE	The District will ensure to receive proper approval from the DFA for future disposal of capital assets.

EXPECTED COMPLETION DATE: June 30, 2018

EMPLOYEE RESPONSIBLE: District Manager