

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

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

Year Ended June 30, 2021

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

State of New Mexico
Otero Soil and Water Conservation District
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June 30, 2021

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**State of New Mexico
Otero Soil and Water Conservation District
Official Roster
June 30, 2021**

Board Members

Bob Nichols
Rick Baish
Jeff Rabon
James Evrage
Eddie Vigil
Colt Howland
Thomas Mendez

Chairman
Vice Chairman
Secretary / Treasurer
Board Supervisor
Board Supervisor
Board Supervisor
Board Supervisor

Administration

Victoria Milne

District Manager

DAN AUSTIN CPA, P.C.
MEMBER
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
NEW MEXICO SOCIETY OF CERTIFIED PUBLIC ACCOUNTS

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Brian Colón, New Mexico State Auditor
The Board of Directors
Otero Soil and Water Conservation District
Alamogordo, New Mexico

We have performed the procedures enumerated below for the Otero Soil and Water Conservation District (District), for the year ended June 30, 2021. The District was determined to be a Tier 6 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 District 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.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

Our procedures and results are detailed under Scope of Procedures and Results as noted in the table of contents.

Our findings related to the procedures in the Scope of Procedures and Results are presented in the accompanying schedule of findings and responses as listed in the table of contents.

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 an expression of an opinion or conclusion, respectively on the District's financial position and operations as of and for the year ended June 30, 2021. 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 those parties specified in the report.

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 New Mexico State Legislature and the New Mexico Department of Finance and Administration-LGD and is not intended to be and should not be used by anyone other than those specified parties.

Dan Austin CPA, PC

Dan Austin CPA, PC
Ruidoso, New Mexico
December 14, 2021

**Dan Austin CPA, PC
700 Mechem Drive Ste. 15
Ruidoso, NM 88345
575-257-0081**

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Brian Colón, New Mexico State Auditor
The Board of Directors
Otero Soil and Water Conservation
Truth or Consequences, New Mexico

We have performed the agreed upon Which the State of New Mexico Office of the State Auditor and the Otero Soil and Water Conservation District have specified and are listed in this Schedule as required by the Audit Act for the year ended June 30, 2021 as follows:

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 Procedures:

We verified the Otero Soil and Water Conservation District calculation of \$448,674 Tier 6 revenue requiring a Tier 6 engagement was 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 bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Governments 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 Procedures:

- a) **We obtained the bank statements and corresponding reconciliations for all of the District's accounts for the months ended September 30, 2020, December 31, 2020, March 31, 2021, and June 30, 2021 were prepared by the outside accounting firm. Bank reconciliations were completed in a timely manner, and all bank statements and reconciliations are complete and on hand. No exceptions were noted as a result of this procedure.**
- b) **We obtained the bank statements and corresponding reconciliations for all of the District's accounts for the months ended September 30, 2020, December 31, 2020, March 31, 2021, and June 30, 2021 were selected for review and found to be accurate. Reconciled balances were traced to the general ledger and related DFA reports. No exceptions were noted as a result of this procedure.**

- c) **The District at 6/30/2021 had no uninsured deposits requiring a pledge of collateral in compliance with 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 Procedures:

The Otero SWCD last inventory count was completed during FYE 2021.

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 Procedures:

Inquires noted the District has not debt.

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 30% of total dollar amount test using 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 Procedures:

- a) **Actual revenue compared to budgeted revenue for the fiscal year is reasonable and within expectations. The variance analysis for budgets to actual may be noted in the budgetary analysis in pages 9.**
- b) **A sample of 31 deposits totaling \$801,659 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 revenues totaling \$801,659 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.**

6. Expenditures

Procedures:

Select a sample of cash disbursements equal to at least 30% of total dollar amount and test using 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, contact 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) **A sample of 27 expenditures totaling \$676,937 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 cancelled check, as appropriate.**
- b) **The 27 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).**

7. Journal Entries

Procedures

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test 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.

Results of Procedure:

- a) **We reviewed all non-routine journal entries and they; all have supporting documentation and appear reasonable.**
- b) **Per inquiry and review of journal entries with management, District journal entries are limited to interest deposits with is reviewed by the Board of directors monthly.**

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.

Results of Procedure

- a) **The review of Board minutes and letter from the State indicated that the budget was approved by the board and the DFA.**
- b) **Total actual expenditures from the general ledger did not exceeded budgeted amounts.**
- c) **A schedule of revenue and expenses - budget and actual was prepared from the District records on cash budgetary basis on page 9.**

9. Capital Outlay Appropriations

Procedures:

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. Test all capital outlay expenditures during the fiscal year to:

- 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.
- 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.

Results of Procedure

Per review of revenues and inquiry of management, the District did not receive capital outlay funds.

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, 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.

Results of Procedure:

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 examination or review, the objective of which would be the expression of an opinion or conclusion on the accounting records. 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 Otero Soil and Water Conservation District, the New Mexico State Auditor's Office, the New Mexico State Legislature 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
December 14, 2021

**STATE OF NEW MEXICO
OTERO SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

Revenues:	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Unfavorable)</u>
Grant Revenues-Federal	\$ 537,740	\$ 378,091	\$ 378,091	\$ -
Grant Revenues-State	294,117	294,117	294,117	-
Grant Revenues-Other	29,865	9,865	9,865	-
NMDA	15,000	17,434	17,434	-
Intergovernmental-Local	100,000	100,000	100,000	-
Conservation Sales	10,000	5,250	5,250	-
Interest Income	50	19	19	-
Total revenue	<u>986,772</u>	<u>804,776</u>	<u>804,776</u>	-
Expenditures:				
Conservation	751,834	649,416	649,416	-
General Government	15,939	10,042	10,042	-
Payroll and Related Costs	70,000	90,265	90,265	-
Special Projects	<u>46,800</u>	<u>39,128</u>	<u>39,128</u>	-
Total expenditures	<u>884,573</u>	<u>788,851</u>	<u>788,851</u>	-
Excess (deficiency) of revenue over expenditures	<u>\$ 102,199</u>	<u>\$ 15,925</u>	15,925	<u>\$ -</u>
			<u>46,096</u>	
			<u>\$ 62,021</u>	

STATE OF NEW MEXICO
 OTERO SOIL AND WATER CONSERVATION DISTRICT
 FINANCIAL REPORT SUBMITTED TO DFA
 JUNE 30, 2021

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

SPECIAL DISTRICT FINANCIAL QUARTERLY REPORT FORM

Special District: Otero SWCD
 Quarter Ending: 6/30/2021

CALENDAR YEAR: 2021

QUARTERLY YEAR TO DATE TRANSACTIONS PER BOOKS

FUND TITLE	FUND NUMBER	UNAUDITED BEGINNING CASH BALANCE ON JULY 1	INVESTMENTS, CP, LGP, BONDS, SAVINGS	REVENUES, TRANSFERS, YEAR TO DATE	NET TRANSFERS (GRAND TOTAL = 0)	EXPENDITURES YEAR 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, MUST EQUAL ZERO
GENERAL FUND - Operating (GF) - MAINT	101	46,096	-	67,677	-	79,433	(3,279)	8,121	-	-	47,941	145,242	97,299
INTERGOVERNMENTAL GRANTS	218	-	-	127,299	-	30,000	97,299	-	-	-	97,299	-	97,299
OTHER	299	-	-	-	-	-	-	-	-	-	-	-	-
DEBT SERVICE	400	-	-	-	-	-	-	-	-	-	-	-	-
GRAND TOTAL		46,096	\$ -	\$ 894,776	\$ -	\$ 784,852	\$ 62,021	\$ 83,211	\$ -	\$ -	\$ 145,242	\$ 145,242	\$ -

STATE OF NEW MEXICO
OTERO SOIL AND WATER CONSERVATION DISTRICT
FINANCIAL REPORT SUBMITTED TO DFA
JUNE 30, 2021

SPECIAL DISTRICT: Otero SWCD

Quarter Ending: 6/30/21

REVENUES	January - March FIRST QUARTER	April - June SECOND QUARTER	July - September THIRD QUARTER	October - December FOURTH QUARTER	YEAR TO DATE	APPROVED BUDGET	YEAR TO DATE % OF BUDGET
General Fund 101 (enter items below)							
Total Interest From Bank Accounts and CDs	4	6.02	5	3	19	19	100%
Federal Hazardous Fuels Income	201,528	43,312.22	16,105	1,887	262,833	262,833	100%
Federal Invasive Species Income		40,552.82	42,852		83,405	83,405	100%
Federal CFRP Monitoring							
Federal Administrative Income	15,169	9,315.82	7,227	142	31,854	31,854	100%
State Hazardous Fuels Income		139,499.95	93,000	41,029	273,529	273,529	100%
State Administrative Income		10,499.46	7,000	3,088	20,588	20,588	100%
Conservation Publication Sales	560		1,440	1,900	3,900	3,900	100%
Private Invasive Species Income	570	630.00	110	40	1,350	1,350	100%
Brush Control Materials							
TOTAL GENERAL FUND REVENUES	\$ 217,832	\$ 243,816	\$ 167,739	\$ 48,090	\$ 677,477	\$ 677,477	100%
Other Financing Sources:							
Transfers In							
Transfers Out							
Total Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Intergovernmental Grants 218 (enter items below)							
Local Grants	25,000	50,000		25,000	100,000	100,000	100%
Private Grants	4,933		4,933		9,865	9,865	100%
Legislative Funding							
Miscellaneous (eg. NMFA)		1,743	15,691		17,434	17,434	100%
TOTAL INTERGOV. GRANT REVENUES	\$ 29,933	\$ 51,743	\$ 20,623	\$ 25,000	\$ 127,299	\$ 127,299	100%
Other Financing Sources:							
Transfers In							
Transfers Out							
Total Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Other 299 (enter items below)							
TOTAL OTHER REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Other Financing Sources:							
Transfers In							
Transfers Out							
Total Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Debt Service 400							
General Obligation Bonds							
General Obligation - (Property tax)							
Investment Income							
Other - Misc.							
Revenue Bonds							
Bond Proceeds							
Revenue Bonds - GRT							
Investment Income							
Revenue Bonds - Other							
Miscellaneous(NMFA, BOF, etc.)							
TOTAL DEBT SERVICE REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Other Financing Sources:							
Transfers In							
Transfers Out							
Total Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
GRAND TOTAL REVENUES	\$ 247,764	\$ 295,560	\$ 188,362	\$ 73,090	\$ 804,776	\$ 804,776	100%

STATE OF NEW MEXICO
OTERO SOIL AND WATER CONSERVATION DISTRICT
FINANCIAL REPORT SUBMITTED TO DFA
JUNE 30, 2021

SPECIAL DISTRICT: Otero SWCD

Quarter Ending: 44377.00

EXPENDITURES	January - March	April - June	July - September	October - December	YEAR TO DATE	APPROVED BUDGET	YEAR TO DATE % OF BUDGET
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER			
General Fund 101 (enter items below)							
Personnel Services, (Salaries and Benefits)	22,429.85	24,973.19	18,199.98	24,668.98	90,265.00	90,265.00	100.00%
Mileage and Per Diem	147.83	276.00	545.97	278.48	1,244.40	1,244.40	100%
Vehicle Expense (Insurance, gas, maintenance)	-	-	0.00	-	0.00	0.00	-
Building Expenses (e.g. rent/maintenance)	-	-	0.00	-	0.00	0.00	-
Utilities (Electricity, Natural Gas, Propane, Water, Sewer)	-	-	0.00	-	0.00	0.00	-
Telephone	-	-	0.00	-	0.00	0.00	-
Postage Expense	-	-	0.00	-	0.00	0.00	-
Office Supplies and Other Expenses	938.54	1,462.12	4598.83	1,801.32	8,800.01	8,800.01	100%
Office Furniture and Equipment	-	-	0.00	-	0.00	0.00	-
Advertising and Public Relations (e.g. newsletter)	-	-	7549.00	-	7549.00	7549.00	100%
Training, Workshops & Education expense	-	-	0.00	-	0.00	0.00	-
Annual Audit/Financial Report Expenses	-	-	0.00	-	0.00	0.00	-
Dues and Board Fees	-	-	0.00	-	0.00	0.00	-
Election Expense	-	-	0.00	-	0.00	0.00	-
Field Supplies & Equipment	-	-	75.00	16,500.00	31,152.40	31,152.40	100%
Cost Sharing Expense	-	14,577.40	578.00	-	578.00	578.00	100%
Brush Control Expenses	-	-	460,472.75	42,916.76	610,144.50	610,144.50	100%
Contractual Fees and Other Services (Commun. Proj.)	282,721.17	224,823.83	0.00	-	912,825.00	912,825.00	100%
GRT Taxes	-	9,128.25	0.00	-	9,128.25	9,128.25	100%
Miscellaneous (e.g. Meetings)	-	-	-	-	0.00	0.00	-
	-	-	-	-	0.00	0.00	-
TOTAL GENERAL FUND EXPENDITURES	\$ 226,242	\$ 274,451	\$ 172,002	\$ 86,157	758,851.56	758,851.56	100%
Intergovernmental Grants 218 (enter items below)							
Local Grants	-	30,000	-	-	30,000.00	30,000.00	100.00%
	-	-	-	-	0.00	0.00	-
	-	-	-	-	0.00	0.00	-
	-	-	-	-	0.00	0.00	-
	-	-	-	-	0.00	0.00	-
	-	-	-	-	0.00	0.00	-
	-	-	-	-	0.00	0.00	-
	-	-	-	-	0.00	0.00	-
TOTAL INTERGOV. GRANT EXPENDITURES	\$ -	\$ 30,000	\$ -	\$ -	30,000.00	30,000.00	100.00%
Other 299 (enter items below)							
	-	-	-	-	0.00	0.00	-
	-	-	-	-	0.00	0.00	-
	-	-	-	-	0.00	0.00	-
	-	-	-	-	0.00	0.00	-
	-	-	-	-	0.00	0.00	-
	-	-	-	-	0.00	0.00	-
	-	-	-	-	0.00	0.00	-
	-	-	-	-	0.00	0.00	-
	-	-	-	-	0.00	0.00	-
TOTAL OTHER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	0.00	0.00	#DIV/0!
Debt Service 400							
Bond Payments Principal	-	-	-	-	0.00	0.00	-
Bond Payments- Interest	-	-	-	-	0.00	0.00	-
Other Debt Service	-	-	-	-	0.00	0.00	-
TOTAL DEBT SERVICE EXPENDITURES	\$ -	\$ -	\$ -	\$ -	0.00	0.00	-
GRAND TOTAL EXPENDITURES	\$ 226,242	\$ 304,451	\$ 172,002	\$ 86,157	788,851.56	788,851.56	100.00%

**STATE OF NEW MEXICO
OTERO SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF RESULTS, FINDINGS AND EXIT CONFERENCE
JUNE 30, 2021**

The following are the results and finding for the year ended June 30, 2021:

Prior Year Findings:

N/A - Tier 2 Agency in 2020

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Current Year Findings

None

Exit Conference

The contents of this report were discussed on December 14, 2021 at the District Office. The following individuals were in attendance:

Representing the District:

Bob Nichols - Chairman
Victoria Milne - District Manager

Representing Dan Austin CPA PC:

Dan Austin CPA

The Agreed-Upon Procedures Report and other matters were discussed.

State of New Mexico
Otero Soil and Water Conservation District
Annual Compiled Financial Statements
Year Ended June 30, 2021

Dan Austin CPA, PC
700 Mechem Drive
Suite 15
Ruidoso, New Mexico 88345

Introductory Section

**State of New Mexico
Otero Soil and Water Conservation District
Official Roster
June 30, 2021**

Board Members

Bob Nichols	Chairman
Rick Baish	Vice Chairman
Jeff Rabon	Secretary / Treasurer
James Evrage	Board Supervisor
Eddie Vigil	Board Supervisor
Colt Howland	Board Supervisor
Thomas Mendez	Board Supervisor

Administration

Victoria Milne	District Manager
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Financial Section

**Dan Austin CPA, PC
700 Mechem Drive
Suite 15
Ruidoso, New Mexico 88345**

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

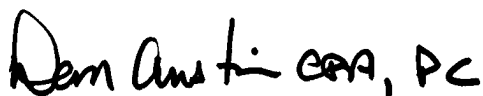
Brian Colón, New Mexico State Auditor
Board of Directors
Otero Soil and Water Conservation District
Truth or Consequences, New Mexico

Management is responsible for the accompanying financial statements of governmental activities, each major fund and the aggregate remaining fund information of the Otero Soil and Water Conservation District (the "District"), as of and for the year ended June 30, 2021, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with Tier 6 of the Audit Act-Section 12-6-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

In order to comply with the requirements of Section 12-6-3 (B) NMSA 1978 and 2.2.216NMAC, management has presented the governmental fund financial statements using the modified accrual basis of accounting and only the notes related to those financial statements. However, in complying with these requirements, management has omitted the Government Wide financial statements and certain disclosures required by accounting principles generally accepted in the United States of America. This omission is the result of the financial statements being presented on a basis of accounting other than GAAP. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position, results of operations. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Management has omitted the *Management's Discussion and Analysis* that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.



Dan Austin CPA PC
Ruidoso, New Mexico
December 14, 2021

State of New Mexico
Otero Soil and Water Conservation District
Combining Balance Sheet – Governmental Funds
June 30, 2021

	General Fund
Assets	
Cash and Equivalents	\$ 62,021
Accounts Receivable	-
Total Assets	\$ 62,021
 Liabilities and Fund Balance	
Current Liabilities	
Accounts Payable	\$ 2,327
Total Liabilities	2,327
 Fund Balance	
Unassigned:	
General Fund	59,694
Total Fund Balance	59,694
Total Liabilities and Fund Balance	\$ 62,021

See accountant's compilation report.

State of New Mexico
Otero Soil and Water Conservation District
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
June 30, 2021

	General Fund
Revenues:	
Grant Revenue-Federal	\$ 378,091
Grant Revenue-State	294,117
Grant Revenue-Other	9,865
Intergovernmental-State	17,434
Intergovernmental-Local	100,000
Conservation Sales	5,250
Interest Income	19
Total Operating Revenues	804,776
Expenditures:	
Conservation	651,336
General Government	10,042
Payroll and Related Costs	90,672
Special Projects	39,128
Total Expenditures	791,178
Net Change in Fund Balance	13,598
Fund Balance at Beginning of Year	46,096
Fund Balance - End of Year	\$ 59,694

See accountant's compilation report.

STATE OF NEW MEXICO
Otero Soil and Water Conservation District
Notes Financial Statements
June 30, 2021

NOTE 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Otero Soil and Water Conservation District (OSWCD) is organized under the provisions of the Soil and Water Conservation District Act (73-20-25 through 73-20-49 NMSA 1978). The District is a governmental subdivision of the state, a public body corporate and politic, organized for control and prevention of flood, sediment, and soil erosion damage, and to further the conservation, development and beneficial use of water and soil resources. The governing body of the District consists of a minimum of five elected supervisors, four of whom must be landowners in the District. Two additional supervisors may be appointed to the District board. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, OSWCD is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the OSWCD may, without the approval or consent of another governmental entity, determine or modify its own budget, set rates or charges and issue bonded debt.

A primary government is any state government or general-purpose local government and the organizations comprising its legal entity. Although the District is organized as a subdivision of the State and administratively attached to the New Mexico State University, Department of Agriculture, the statutory powers of the District establish it as a primary government with a separate corporate and legal identity. The District has no component units, financially dependent affiliates, nor is it legally liable for actions of other agencies.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The District, a phase three government, was required to implement GASB statement 34, Basic Financial Statements. To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

B. Basis of Presentation

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

General Fund - The General Fund is the general operating fund of the OSWCD and accounts for all revenues and expenditures of the OSWCD not encompassed within other funds.

Irrigation Works Fund - The Irrigation Works Fund was set up account for the District's Re-Loan program. The District receives low interest loans from the New Mexico Interstate Stream Commission (NMISC) to lend landowners in the District funds at low interest rates for projects to conserve irrigation water on their property.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Property taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

Deposits and Investments: The District's cash and cash equivalents are considered to be cash on hand, demand deposits and Short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Receivables and Payables: All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Payables are comprised of unpaid vendor and supplier invoices and are recognized when incurred.

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

Deferred Outflow of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has two types of items that qualify for reporting in this category. Accordingly, the items, change in proportion and employer contributions subsequent to measurement date, are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

Deferred Inflow of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. The District has GASB 63 amended previous guidance on unearned revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is the acquisition of net assets by the government that is applicable to a future reporting period.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Water rights and land are not subject to depreciation and are carried at their historical costs. Because the District is a phase III government for purposes of implementing GASB 34, it is not required to retroactively report its major general infrastructure assets. Donated capital assets are recorded at estimated fair market value at the date of donation. The District does not develop any software. The District annually reviews the impairment of all water rights and adjusts the carrying values as necessary.

Information Technology Equipment including software is being capitalized and included in furniture and fixtures in accordance with NMAC 2.20.1.9 C (5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture and Fixtures	5-7

Accrued Expenses: Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2021, along with applicable payroll taxes.

Long-term Obligations: In the financial statements, long-term debt and other long-term obligations are reported as liabilities. For bonds issued after the District implemented GASB 34 bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Compensated Absences: Management has not recorded a liability for compensated absences an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that compensated absences attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenditures of the District in the government wide financial statements which are not included in this report.

Equity Classifications: *Net Position:* Net position represents the difference between assets and liabilities.

Fund Balances: In the fund financial statements, governmental fund balances are classified as follows:

Non-Spendable fund balance indicates that portion of fund equity is not spendable such as inventory.

Restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resources, providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual amount that is not restricted or committed.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the procedure is to pay the expenditure from restricted fund balance and then from less-restrictive classification - committed, assigned and then unassigned fund balances.

Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the District's financial statements include management's estimate of depreciation on assets over their estimated useful lives and the allowance for uncollectible accounts.

Reclassifications: Certain amounts included in the financial statements have been reclassified to conform to the current year presentation.

Note 2. Stewardship and Accountability

Annual budgets of the District are prepared prior to June 1 and must be approved by resolution of the Board Members and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Board Members and the Department of Finance and Administration. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total at the fund level.

These budgets are prepared on the GAAP basis. The budget secures appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Note 3. Deposits and Investments

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. The District is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2021.

Deposits of funds may be made in interest or noninterest bearing checking accounts in one or more banks or savings and loan Districts within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or are collateralized by statute. The financial institution must provide pledged collateral of 50% of the deposit in excess of the deposit insurance.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

Custodial Credit Risk Deposits Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMS A 1978). On June 30, 2021, \$ 0 of the District's bank balances of \$145,242 was exposed to custodial credit risk. Bank balances of \$0 were uninsured by the District's depositories as seen below.

Depository	Account Type	Account Name	Balance Per Depository	Reconciling Items		Balance Per Financial Statements
				Outstanding Checks	Deposits	
Pioneer Bank	Checking	Operations-Brush Control	\$ 2,508	\$ -	\$ -	\$ 2,508
Pioneer Bank	Checking	Operations-General Fund	142,734	(83,221)	-	59,513
Total cash on deposit			\$ 145,242	\$ (83,221)	\$ -	62,021
FDIC Insurance			(145,242)			
Uninsured Deposits			-			
Total cash on hand and on deposit						<u>\$ 62,021</u>
Less 50% Pledge Requirement			-			
Required Pledge			\$ -			

Note 4. Debt

The District currently has no short-term or long-term debt.

Note 5. PERA Pension Plan

Pensions. The District has elected to not participate in the New Mexico Public Employees Retirement Association (PERA).

NOTE 6. PROPERTY TAXES

Property taxes are levied against all agricultural real property if the District has outstanding operational debt. The District currently has no debt and does not assess property tax.

NOTE 7. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The District purchases commercial liability insurance.

The District has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the District which exceeds the insurance coverage, the District would not be responsible for a loss in excess of the coverage amounts. As claims are filed, commercial liability insurance company assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverages have not changed significantly from prior years and coverages are expected to be continued.

On June 30, 2021 no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the District.

NOTE 8. GASB 77 Tax Abatements

NMAC 2.2.210 (BB) (3) requires government to disclose any Tax Abatements granted. The District had none for the current fiscal year.