

**STATE OF NEW MEXICO
East Rio Arriba Soil and Water Conservation District**

**Accountants' Compilation Report (ACR)
And
Independent Accountants' Report on Applying Agreed-Upon Procedures**

For the Fiscal Year Ended June 30, 2013

**JOSEPH M. SALAZAR, CPA
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State of New Mexico
East Rio Arriba Soil and Water Conservation District

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June 30, 2013

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**State of New Mexico
East Rio Arriba Soil and Water Conservation District**

Official Roster

June 30, 2013

Board of Supervisors

Kenneth V. Salazar

Ross Garcia Jr.

Ted Salazar

Leroy J. Salazar

J. Lucas Cordova

Position

Chairperson

Vice-Chairperson

Treasurer

Secretary

Member

District Personal

Esperanza Trujillo

Clara Dubois

Marcos Valdez

Title

District Manager

Administrative Assistant

TSP Employee

JOSEPH M. SALAZAR
CERTIFIED PUBLIC ACCOUNTANT
P.O. Box 1744
Espanola, New Mexico 87532
Phone/Fax 505-747-2775

Independent Accountant's Compilation Report

Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

And

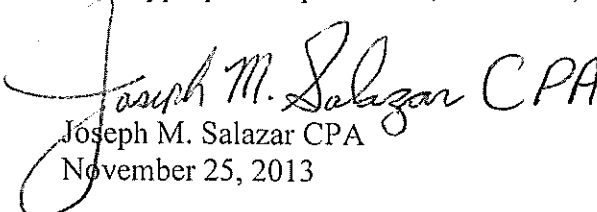
East Rio Arriba Soil and Water Conservation District
Board Members
424H South Riverside Drive
Espanola, New Mexico

We have compiled the accompanying financial statements of the governmental activities, the major fund, of the State of New Mexico East Rio Arriba Soil and Water Conservation District (District) as of and for the year ended June 30, 2013 which collectively comprise the District's basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America

Management of the District is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has omitted the management's discussion and analysis information that is required to be presented for purposes of additional analysis. 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.


Joseph M. Salazar CPA
November 25, 2013

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
June 30,2013

Exhibit 1

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 409,250
Property taxes receivable	5,378
Due from state forestry	4,681
Total current assets	<u>419,309</u>
Non Current Assets	
Capital assets	176,131
less accumulated depreciation	<u>(43,842)</u>
Total capital assets net of depreciation	<u>132,289</u>
Total assets	<u><u>\$ 551,598</u></u>
LIABILITIES	
Liabilities	
Account payable	\$ 7,191
Accrued payroll	4,557
Compensated absences payable	5,068
NMFA Mortgage loan payable-current	5,720
Total current liabilities	<u>22,536</u>
Long term liabilities	
NMFA loan payable	1,606
NMFA Mortgage loan payable	<u>89,412</u>
Total long term liabilities	<u>91,018</u>
Total liabilities	<u>113,554</u>
NET POSITION	
Invested in capital assets	132,289
Unrestricted	<u>305,755</u>
Total net position	<u>438,044</u>
Total liabilities and net position	<u><u>\$ 551,598</u></u>

See accompanying notes and accountants compilation report.

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Exhibit 2

Program Expenses	Governmental Activities
Conservation:	
Current	
Conservation	\$ 129,646
Personal services	142,689
Operating expenses	67,330
Depreciation	<u>7,092</u>
Total expenses	<u>346,757</u>
Program Revenues	
Charges for services	1,250
State/local government grants	<u>44,675</u>
Total program revenue	<u>45,925</u>
Net program (expenses)revenues	<u>(300,832)</u>
General revenues.	
NMDA allotment	12,990
Property taxes	299,961
Interest income	<u>358</u>
Total general revenues	<u>313,309</u>
Change in net position	<u>12,477</u>
Net Position-Beginning of Year	425,567
NetPosition-End of Year	<u><u>\$ 438,044</u></u>

See accompanying notes and accountants compilation report.

STATE OF NEW MEXICO EXHIBIT 3
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
BALANCE SHEET-GOVERNMENTAL FUNDS
June 30,2013

ASSETS	General Fund
Cash and cash equivalents	\$ 409,250
Property taxes receivable	5,378
Due from State forestry	4,681
Total Assets	<u>\$ 419,309</u>
LIABILITIES AND FUND BALANCES	
Liabilities	\$ 7,191
Account payable	4,557
Accrued payroll	11,748
Total Current Liabilities	<u>11,748</u>
Fund balance	
Unassigned	407,561
Total fund balance	<u>407,561</u>
Total Liabilities and Fund Balances	<u>\$ 419,309</u>

See accompanying notes and accountants compilation report

STATE OF NEW MEXICO
 EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
 RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
 TO THE STATEMENT OF NET POSITION

Exhibit 4

FOR THE YEAR ENDED JUNE 30, 2013

Total fund balances for governmental funds		\$ 407,561
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Capital assets	176,131	
Accumulated depreciation	<u>(43,842)</u>	
Total capital assets		132,289
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Loan payable	3,185	
Mortgage loan payable	93,553	
Compensated absences	5,068	
Total liabilities		(101,806)
Net Position of Governmental Activities		<u>\$ 438,044</u>

See accompanying notes and accountants compilation report

STATE OF NEW MEXICO
 EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2013

Exhibit 5

	General Fund
REVENUES	
State allocation	\$ 12,990
Property taxes	299,961
Charges for services	1,250
Interest income	358
State grant	44,675
Total Revenues	<u>359,234</u>
 EXPENDITURES	
Conservation:	
Current	
Acequia project	83,582
Building fund	2,067
Building debt service	4,345
Dues	3,025
Election	100
Farm equipment	8,623
Financial services	4,526
Information, education and conservation	1,943
Insurance	1,645
Miscellaneous	58
Noxious weeds	31,465
office expense	24,070
Personal services	137,621
Per diem and mileage	11,438
Projects	14,599
Training	5,198
Vehicle expense	2,297
Total expenditures	<u>336,602</u>
Excess(deficiency) of revenue over expenditures	22,632
Other Financing Sources (Uses)	
Transfers in:	
Loan proceeds	<u>94,000</u>
Total Other Financing Sources (Uses)	<u>94,000</u>
Net Changes in Fund Balances	<u>116,632</u>
 Fund Balances-Beginning of Year	 290,929
Fund Balance-End of Year	<u><u>\$ 407,561</u></u>

See accompanying notes and accountants compilation report

STATE OF NEW MEXICO
 EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
 RECONCILIATION OF THE CHANGES IN FUND BALANCES
 OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Exhibit 6

FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balance – total governmental funds		\$ 116,632
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:</p>		
Capital outlay	-	
Depreciation expense	<u>(7,092)</u>	
Excess of capital outlay over depreciation expense		(7,092)
<p>Expenses recognized in the Statement of Activities.</p>		
Not reported in governmental funds –increase in mortgage loan		(93,553)
Not reported in governmental funds-Compensated absences		(5,068)
Not reported in governmental funds-decrease in loan		1,558
Changes in Net Position of Governmental Activities		<u>\$ 12,477</u>

See accompanying notes and accountants compilation report.

State of New Mexico
East Rio Arriba Soil and Water Conservation District
Notes to Financial Statements
June 30, 2013

(1) **Summary of Significant Accounting Policies**

A. Financial Reporting Entity

The East Rio Arriba Soil and Water Conservation District (District) is organized under the provisions of the Soil and Water Conservation District Act (73-20-25 through 73-20-49 NMSA1978). 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 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.

The financial reporting entity as defined by GASB 14 consists of the primary government, organizations of which the primary government is financially accountable and other organizations whose exclusion from the financial reporting entity would cause the financial statements to be misleading.

A primary government is any state government or general-purpose local government and the organization comprising its legal entity. Although the District is organized as a subdivision of the State and administrative 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, or 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). To enhance the usefulness of the financial, the significant policies of the District are summarized below.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of Net Position) report information on all of the non fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, the District does not have any fiduciary or business-type activities.

State of New Mexico
East Rio Arriba Soil and Water Conservation District
Notes to Financial Statements
June 30, 2013

(1) Summary of Significant Accounting Policies (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if any, are recorded only when payment is due.

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

The District reports the following major governmental funds.

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

State of New Mexico
East Rio Arriba Soil and Water Conservation District
Notes to Financial Statements
June 30, 2013

(1) Summary of Significant Accounting Policies (continued)

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity, if applicable, has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Net Position and Fund Balance

1. Cash and Investments

The District has defined cash and cash equivalents to include demand deposits and short term investments (certificate of deposit) with original maturities of six months or less from the date of acquisition. New Mexico State Statute authorize the District to invest in obligations of the U.S. Treasury, repurchase agreements, and certificates of deposit. Investments for the government, if applicable, are reported at fair value.

2. Receivables

Receivables consist of \$5,378 for property taxes receivable. They are considered fully collectible. Property taxes attach an enforceable lien as of January 1. Taxes are payable in equal semi-annual installments on November 10 and April 10 of the subsequent year. The taxes become delinquent thirty days after the due date. The taxes are collected by the Rio Arriba County Treasurer and are remitted to the District in the month following collection.

State of New Mexico
East Rio Arriba Soil and Water Conservation District
Notes to Financial Statements
June 30, 2013

3. Capital Assets

Capital assets, which include property and equipment (including software), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by per Section 12-6-10 NMSA 1978 as assets with an initial cost of \$5,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the items at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized. There is no infrastructure required to be reported pursuant to GASB statement no. 34.

Property and equipment of the District is depreciated using the straight line method over the following estimated useful lives.

Building improvements	15 years
Farm equipment	5-15 years
Office equipment	5-15 years

4. Payables

The District's accounts payable represent routine monthly bills for services rendered and products purchased and received in the current fiscal year but not paid for until after fiscal year end.

5. Compensated Absences

District employees earn annual leave and sick leave at the rate of four hours per eighty hour biweekly pay period for full time permanent employees. Part time permanent employees accrue annual leave and sick leave on a prorated basis. The maximum amount of annual leave that an employee may carry forward from one calendar year to the next is 140 hours. There is no limit to the amount of sick leave that may be accrued. No payment shall be made for accrued sick leave at the time of separation from the District. Employees have the option to sell their annual leave to the District at the end of the year. Employees will be paid for their accrued annual leave upon separation from the District.

State of New Mexico
East Rio Arriba Soil and Water Conservation District
Notes to Financial Statements
June 30, 2013

6. Net Position and Fund Balance

The government-wide financial statements utilize a net asset presentation. Net position are categorized as invested in capital assets (net of related debt, if applicable), restricted and unrestricted.

Investment in capital assets (net of related debt)- is intended to reflect the portion of net position which are associated with capital assets less outstanding capital assets related debt. The District has not debt related to capital assets. Restricted net position - are net position (generated from revenues and not bond proceeds), which have third party (statutory, bond covenant or granting agency) limitation on their use. Unrestricted net position- are net position that do not have third-party (statutory, bond covenant or granting agency) limitations on their use.

In the fund financial statements, governmental funds can report fund balances as:

Nonspendable - amounts that are not in spendable form (such as inventory) or are required to be maintained intact;

Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned – amounts a government intends to use for a specific purpose, intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned – Amounts that are available for any purpose, positive amounts are reported only in the general fund.

The District's fund balance is unassigned

7. Use of Estimates

Management uses estimate and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Accordingly, actual results could differ from those estimates.

State of New Mexico
East Rio Arriba Soil and Water Conservation District
Notes to Financial Statements
June 30, 2013

II Stewardship, Compliance and Accountability

A. Budgetary Information

The budget is prepared on a basis that differs from accounting principles generally accepted in the United States of America (GAAP). GAAP basis revenues and expenditures include accrued amounts. The revenues and expenditures reported in the budgetary comparisons are generally recorded on the cash basis. The District uses the following procedures to establish the budgeted amounts reflected in the budgetary comparisons:

1. Prior to June 1, the District Board of Supervisors reviews, adjusts, and approves a preliminary revenue and expenditure budget for the fiscal year beginning July 1.
2. Prior to June 1, the approved preliminary budget is submitted to the State of New Mexico Department of Finance and Administration, Local Government Division for approval.
3. Once the Board receives notice of the approved preliminary budget. The Board reviews the preliminary budget and makes any necessary adjustments to prepare the final budget. Prior to July 30, the Board approves the budget by passing a resolution.
4. Prior to July 30, the approved budget is submitted to the State of New Mexico, Department of Finance and Administration, Local Government Division (DFA-LGD) for approval by the first Monday of September. The Board receives notice of the approved final budget.

The legal level at which actual expenditures may not exceed budgeted expenditures is at the total fund level. The Board can revise its budget with the approval of DFA-LGD. Encumbrance accounting is not utilized by the District.

State of New Mexico
 East Rio Arriba Soil and Water Conservation District
 Notes to Financial Statements
 June 30, 2013

III Detailed Notes on all Funds

A. Cash and cash equivalents

Cash and cash equivalents of the District at June 30, 2013:

<u>Name of Depository</u>	<u>Account Name</u>	<u>Bank Balance</u>	<u>Outstanding Checks</u>	<u>Financial Statement Balance</u>
Valley National Bank				
	East Rio Arriba SWCD-Operating	\$119,020	\$ 6,028	\$112,992
	East Rio Arriba SWCD-Noxious Weed	57,591	1,340	56,251
	East Rio Arriba SWCD-savings	<u>526</u>	<u>-</u>	<u>526</u>
	Total Valley National Bank	177,137	<u>\$ 7,368</u>	<u>\$169,769</u>
	Less FDIC coverage	<u>177,137</u>		
	Amount uninsured	<u>-</u>		
Century Bank				
	East Rio Arriba SWCD	234,097		234,097
	East Rio Arriba SWCD-certificate of deposit	<u>5,384</u>		<u>5,384</u>
	Total Century Bank	<u>239,481</u>		<u>239,481</u>
	Less FDIC coverage	<u>239,481</u>		
	Amount uninsured	<u>-</u>		
	Total cash and cash equivalents			<u>\$ 409,250</u>

The District accounts with Valley National Bank and Century Bank were fully insured under the FDIC.

Custodial credit risk is the risk that in the event of a bank (or other custodial agent) failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2013, the District's cash balance of \$416,618 was fully insured.

State of New Mexico
 East Rio Arriba Soil and Water Conservation District
 Notes to Financial Statements
 June 30, 2013

B. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>6/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/13</u>
<u>Cost</u>				
Land	\$ 101,289	\$ -	\$ -	\$101,289
Building improvements	1,054	-	-	1,054
Vehicles	27,375	-	-	27,375
Farm equipment	44,763	-	-	44,763
Office equipment	<u>3,490</u>	<u>-</u>	<u>1,840</u>	<u>1,650</u>
Total at historical cost	<u>177,971</u>	<u>-</u>	<u>1,840</u>	<u>176,131</u>
 <u>Accumulated depreciation</u>				
Building improvements	(1,054)	-	-	(1,054)
Vehicles	(5,475)	(5,475)	-	(10,950)
Farm equipment	(28,571)	(1,617)	-	(30,188)
Office equipment	<u>(3,490)</u>	<u>-</u>	<u>1,840</u>	<u>(1,650)</u>
Total accumulated depreciation	<u>(38,590)</u>	<u>(7,092)</u>	<u>1,840</u>	<u>(43,842)</u>
Net capital assets	<u>\$ 139,381</u>	<u>\$ (7,092)</u>	<u>\$ -</u>	<u>\$ 132,289</u>

Current year depreciation expense is \$7,092 charged to conservation function.

State of New Mexico
 East Rio Arriba Soil and Water Conservation District
 Notes to Financial Statements
 June 30, 2013

C. Changes in Long-Term Debt

Long term debt activity for the year ended June 30, 2013 was as follows:

	Balance 6/30/12	Increase	Decrease	Balance 6/30/13	Amount due within 1 year
NM Finance Authority Loan	\$ 4,743	\$ -	\$1,558	\$3,185	\$1,579
NM Finance Authority Loan	-	94,000	447	93,553	4,141
Compensated Absences Payable	<u>-</u>	<u>7,572</u>	<u>2,507</u>	<u>5,068</u>	<u>5,068</u>
Total	<u>\$4,743</u>	<u>\$101,572</u>	<u>\$ 4,239</u>	<u>\$101,806</u>	<u>\$10,788</u>

The District's general fund is used to pay the loans and compensated absences.

On June 18, 2010, the District entered into a five year loan agreement in the amount of \$7,816 with the New Mexico Finance Authority (NMFA) to finance the cost of acquiring conservation equipment totaling \$7,700. All equipment acquired is below the capital asset threshold described in note D. 3 above. The blended interest rate is 1.628% over the five year period.

Debt service requirements to maturity are as follows:

<u>Year ended June 30</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2014	1,579	61	1,640
2015	<u>1,606</u>	<u>33</u>	<u>1,639</u>
Totals	<u>\$ 3,175</u>	<u>\$ 94</u>	<u>\$ 3,279</u>

State of New Mexico
 East Rio Arriba Soil and Water Conservation District
 Notes to Financial Statements
 June 30, 2013

Mortgage Loan

In fiscal year 2012, the District purchased land to build a District Office for \$101,290. The District entered into a loan agreement with the New Mexico Finance Authority for \$171,754. The mortgage loan is for fourteen years maturing on April 2037. The interest rate is 3.188%. As of June 30, 2013, the District had drawn down only \$94,000 on the loan. The balance on the mortgage loan owed as of June 30, 2013 was \$93,553. The annual debt service requirements for the mortgage loan at June 30, 2013 are as follows:

Year Ended	Principal	Interest	Total
2014	4,141	4,683	8,824
2015	4,162	4,663	8,825
2016	5,826	4,638	10,464
2017	5,872	4,593	10,465
2018	5,930	4,573	10,503
2019-2023	31,141	21,250	52,391
2024-2028	35,124	17,199	52,323
2029-2033	40,902	11,419	52,321
2034-2037	<u>38,209</u>	<u>3,648</u>	<u>41,857</u>
Total	<u>\$171,307</u>	<u>\$76,666</u>	<u>\$247,973</u>

D. Pension Plan – Public Employees Retirement Association

Plan Description. Substantially all of the East Rio Arriba Soil and Water Conservation District’s full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

State of New Mexico
East Rio Arriba Soil and Water Conservation District
Notes to Financial Statements
June 30, 2013

D. Pension Plan – Public Employees Retirement Association (Continued)

Funding Policy. Plan members are required to contribute 7 % of their gross salary. The East Rio Arriba Soil and Water Conservation District is required to contribute 7 % of the gross covered salary. The contribution requirements of plan members and the East Rio Arriba Soil and Water Conservation District are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The East Rio Arriba Soil and Water Conservation District's contributions to PERA for the fiscal years ending June 30, 2013, 2012 and 2011 were \$2,210, \$1,036 and \$ -0, respectively, which equal the amount of the required contributions for each fiscal year.

E. Risk Management

The East Rio Arriba Soil and Water Conservation District is exposed to various risks of loss. The District carries insurance with the various insurance companies. Coverage is provided for General Liability, Surety Bond, Property and Workers Compensation.

F. Contingent Liabilities

There are no known contingent liabilities and therefore, no provision for contingencies in these financial statements.

STATE OF NEW MEXICO

**EAST RIO ARRIBA SOIL AND WATER
CONSERVATION DISTRICT**

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

YEAR ENDED June 30, 2013

**JOSEPH M. SALAZAR CPA
P.O. BOX 1744
ESPANOLA, NEW MEXICO 87532
PHONE/FAX 505-747-2775**

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT

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State of New Mexico
East Rio Arriba Soil and Water Conservation District

Official Roster

June 30, 2013

Board of Supervisors

Kenneth V. Salazar

Ross Garcia Jr.

Ted Salazar

Leroy J. Salazar

J. Lucas Cordova

Position

Chairperson

Vice-Chairperson

Treasurer

Secretary

Member

District Personal

Esperanza Trujillo

Clara Dubois

Marcos Valdez

Title

District Manager

Administrative Assistant

TSP Employee

JOSEPH M. SALAZAR
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1744
Española, New Mexico 87532
Phone/Fax 505-747-2775

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

Kenneth V. Salazar, President
East Rio Arriba Soil and Water Conservation District
and
Honorable Hector H. Balderas
New Mexico State Auditor

We have performed the procedures enumerated below for the East Rio Arriba Soil and Water Conservation District (ERASWCD) for the year ended June 30, 2013. The ERASWCD was determined to be a Tier 6 entity under the Audit Act Section 12-6-3 (B) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the ERASWCD through the Office of the New Mexico State Auditor. The East Rio Arriba Soil and Water Conservation District 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 representations regarding the sufficiency of the procedures described below either for the purposes for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

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 reporting submitted to DFA-Local Government Division.

- c) Determine whether the local public body's financial institution have provided it with 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Findings

- a) The ERASWCD has three checking accounts a certificate of deposit and a savings account and utilizes QuickBooks to record cash transactions. All of the accounts were reconciled on a monthly basis. All bank statements and reconciliations were complete and on-hand for the entire year.
- b) We tested the bank reconciliations for the months of December of 2012 and June 2013 for all five bank accounts and traced to the District's financial records and the reports submitted to DFA-Local Government Division. No exceptions noted.
- c) All accounts at the two banks have FDIC coverage of \$250,000. The District opened a Bank account with Century Bank in December 2011 once it was made aware of the pledged collateral requirement by the previous auditor. The District has not exceeded the FDIC coverage in its bank accounts after December 2011 and, therefore, pledged collateral was not required on any of the bank accounts after December 2011.

2. Capital Assets

Procedures

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

Findings

The ERASWCD performed a yearly inventory as required by Section 12-6-10 NMSA 1978.

3. 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 the requirements.

Findings

The required debt payments were made during the year on existing loans. The loan agreement does not require reserves.

4. Revenues

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 based on auditor judgment and test using the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statements.
- c) Proper recording of classification, amounts, 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:

- a) Analytical review and test of actual revenues compared to budget revenues for the year for each revenue type revealed no exceptions.
- b) Amounts recorded in QuickBooks general ledger agreed to the supporting documentation (deposit slips and detail of receipts) and the bank statements. No exceptions noted.
- c) Amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation. No exceptions noted.

5. Expenditures

Procedures

Select a sample of cash disbursements based on auditor judgment 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, 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 order, 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).

Findings

- a) Our tests of transactions revealed that amounts recorded as disbursed agreed to the supporting documentation. The documentation agrees as to amount, payee, date and description agreed with the vendor's invoice. No exceptions noted.
- b) ERASWCD disbursements were properly authorized and approved in compliance with legal requirements and established policies and procedures.
- c) The bid process (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 Purchase Regulations (1.4.1 NMAC) and regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

6. Journal Entries

Procedures

If non-routine journal entries, such as adjustment or reclassification, are posted to the general ledger, test significant items for the following attribute:

- 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 ERASWCD utilizes QuickBooks to record cash transactions only and did not prepare formal entries for the year ended June 30, 2013.

7. 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 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, actual or modified accrual basis) for each individual fund.

Findings

- a) A preliminary budget was submitted to DFA-LGD for approval in June 2012 and is reflected in the minutes.
- b) Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.
- c) ERASWCD prepared and submitted the budget report for the fiscal year ended June 30, 2013 to DFA-LGD. This schedule is included herein as Exhibit A. Exhibit A is the ERASWCD budgetary report submitted to DFA-LGD at June 30, 2013.

8. 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 if applicable), purchase order, contract, 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 assets 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.

Findings

ERASWCD did not have and therefore did not expend any state capital outlay appropriations during the year ended June 30, 2013.

Other

Procedures

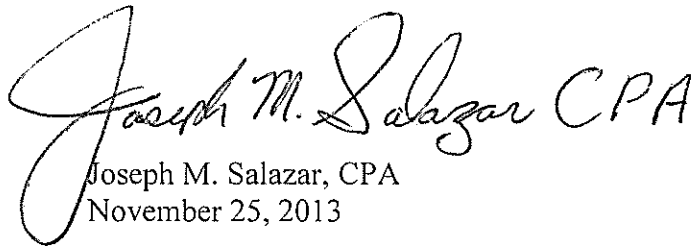
If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The finding must include the required contents per Section 2.2.2.1-(1) (3) (C) NMAC.

Findings

No exceptions or information were noted as a result of applying the procedures described above (regardless of materiality) indicating fraud, illegal acts, 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 East Rio Arriba Soil and Water Conservation District, the New Mexico State Auditor's Office and the DFA-Local Government Division and is not intended to be and should not be used by anyone other than those specified parties.

Handwritten signature of Joseph M. Salazar CPA in cursive script.

Joseph M. Salazar, CPA
November 25, 2013

STATE OF NEW MEXICO Exhibit A
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUE AND EXPENDITURES- BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) GENERAL FUND
For Year Ended June 30, 2013

	GENERAL FUND			
	Budget Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Property taxes	\$ 298,422	\$ 298,422	\$ 305,258	6,836
NMFA loan proceeds	-	171,754	94,000	(77,754)
Noxious weed program	10,000	10,000	45,422	35,422
State allocation- NMSU	13,240	13,240	12,990	(250)
Interest income	2,000	2,000	358	(1,642)
Farm equipment rental	3,200	3,200	1,250	(1,950)
Grant income	51,000	51,000	27,420	(23,580)
Miscellaneous	25	25	-	(25)
	<u>377,887</u>	<u>549,641</u>	<u>\$ 486,698</u>	<u>\$ (62,943)</u>
Cash balance budgeted	178,588	10,444		
Total revenues and cash balance budgeted	<u>\$ 556,475</u>	<u>\$ 560,085</u>		
Expenditures				
Current				
Personal services	\$ 140,000	\$ 140,000	\$ 136,048	\$ 3,952
Mileage and per diem	10,000	14,900	11,438	3,462
Building expense	25,000	25,000	24,722	278
Building debt service		3,610	4,345	(735)
Election expense	5,000	100	100	-
Education expense	15,000	15,000	1,943	13,057
Vehicle expense	7,000	7,000	2,297	4,703
Annual audit	5,000	5,000	4,526	474
Dues and subscriptions	1,900	1,900	3,025	(1,125)
Noxious weed program	55,000	55,000	34,027	20,973
Building fund	50,000	50,000	2,067	47,933
Cost sharing expense (ACSP)	180,000	180,000	97,309	82,691
Farm equipment rental program expenses	20,000	20,000	8,760	11,240
Training and workshops	9,600	9,600	5,198	4,402
Bonding/liability insurance	1,900	1,900	1,645	255
Conservation projects expense	30,000	30,000	14,599	15,401
Miscellaneous	1,075	1,075	59	1,016
Total Expenditures	<u>\$ 556,475</u>	<u>\$ 560,085</u>	<u>\$ 352,108</u>	<u>\$ 207,977</u>

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT
Schedule of Findings and Responses
YEAR ENDED JUNE 30, 2013

No audit findings

STATE OF NEW MEXICO
EAST RIO ARRIBA SOIL AND WATER CONSERVATION DISTRICT

Exit Conference

YEAR ENDED JUNE 30, 2013

Exit Conference

The report contents were discussed at an exit conference held November 25, 2013 with the following in attendance:

East Rio Arriba Soil and Water Conservation District

Kenneth V. Salazar, Chairperson

Esperanza Trujillo, District Manager

Clara Dubois, Administrative Assistant

Accounting Firm

Joseph M. Salazar, CPA

