



**KRIEGEL/GRAY/SHAW & CO., P.C.**

2452 Missouri Ave., P.O. Box 2707, Las Cruces, New Mexico 88004 • Phone: (575) 523-7444, Fax: (575) 527-0872

---

**STATE OF NEW MEXICO**

**SIERRA SOIL AND WATER  
CONSERVATION DISTRICT**

**AGREED UPON PROCEDURES**

**JUNE 30, 2010**

**STATE OF NEW MEXICO**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**

**TABLE OF CONTENTS**  
**JUNE 30, 2010**

	<u>Page</u>
<b>OFFICIAL ROSTER</b>	1
<b>AGREED UPON PROCEDURES REPORT</b>	2
<b>INDIVIDUAL FUND STATEMENTS</b>	
Statement of Revenues and Expenditures -- Budget and Actual (Non GAAP Budgetary Basis)	
General Fund	5
Special Revenue Fund -- Irrigation Works	6
Schedule of Findings and Responses	7
Exit Conference	9

**STATE OF NEW MEXICO**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**

OFFICIAL ROSTER  
JUNE 30, 2010

**Board of Supervisors**

<b><u>Name</u></b>	<b><u>Title</u></b>
<i>Willard Hall</i>	<i>Chairman</i>
<i>John Able</i>	<i>Vice Chairman</i>
<i>Randy Coil</i>	<i>Secretary/Treasurer</i>
<i>Kenneth James</i>	<i>Supervisor</i>
<i>Ronnie Woolf</i>	<i>Supervisor</i>
<i>Crystal Diamond</i>	<i>Supervisor</i>
<i>Tami Garrett</i>	<i>Supervisor</i>

**District Officials**

<i>Merry Jo Fahl</i>	<i>District Coordinator</i>
----------------------	-----------------------------



**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

Sierra Soil and Water Conservation District  
and State of New Mexico  
Office of the State Auditor

We have performed the procedures enumerated below, which were agreed to by Sierra Soil and Water Conservation District and the State of New Mexico Office of the State Auditor, solely to assist you with respect to the accounting records of Sierra Soil and Water Conservation District as of June 30, 2010. Sierra Soil and Water Conservation District's management is responsible for the company's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are as follows:

1. Cash
  - a. We reviewed 100% of the bank reconciliations of Sierra Soil and Water Conservation District and determined that all bank reconciliations are being performed in a timely manner and that all bank and investment statements for the fiscal year are complete and on-hand.
  - b. We reviewed 100% of the bank reconciliations of Sierra Soil and Water Conservation District and determined that all bank reconciliations were accurate and that they agreed to the general ledger, supporting documentation, and financial reports presented to the Board of Directors.
  - c. We reviewed the supporting documentation provided by the financial institutions of Sierra Soil and Water Conservation District and determined that they have provided SSWCD with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, where applicable.
2. Capital Assets. We reviewed the annual inventory of Sierra Soil and Water Conservation District (as required by Section 12-6-10 NMSU 1978) and determined the following:
  - a. Sierra Soil and Water Conservation District performed an end of year inventory, as required, and provided this inventory list to us.

- b. We compared the ending balance of the Fixed Asset Listing dated September 23, 2010 provided by the Sierra Soil and Water Conservation District to their general ledger and found that the amounts did not agree.
  - c. The difference included items on the Fixed Asset Listing that were disposed of during 2010 and items purchased during 2010 that were not included on the Fixed Asset Listing. The Fixed Asset Listing also included an item purchased after June 30, 2010.
3. Debt. We reviewed the debt of Sierra Soil and Water Conservation District. We verified that all required payments were made during the year and that Sierra Soil and Water Conservation District is in compliance with all reserve requirements.
4. Revenue. We identified the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.
  - a. We performed an analytical review; tested actual revenue compared to budgeted revenue for the year for each type of revenue. All revenues appeared reasonable based on the analytical performed in comparison to budgeted revenue.

We tested 50% of the total amount of revenues (on the cash basis) for the following attributes:

- b. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
  - c. Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. No exceptions were noted.
5. Expenditures. We selected a sample of cash disbursements and tested 50 transactions (50% of the total amount of expenditures) for the following attributes:
  - a. Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verified that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate. No exceptions noted.
  - b. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. No exceptions noted.
  - 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). No exceptions noted.
6. Journal Entries. The financial records of Sierra Soil and Water Conservation District indicated that no journal entries were posted to the general ledger; therefore, we did not perform any tests in this area.

7. Budget

- a. Through a review of the minutes, we verified that the original budget was approved by the Board of Supervisors at the July 9, 2009 meeting. The Fiscal Year 2009-10 budget was certified by DFA-LGD on July 30, 2009. The certification noted that "your most recent audit that should have been submitted to the Office of the State auditor as of this time is for FY2007-08. If you are behind in the submission of your annual audit(s), then this certification is conditional upon your due diligence to get in compliance with this rule." Through a review of the Board of Supervisors minutes and correspondence with DFA-LGD, we determined that subsequent budget adjustments were approved by the Board and DFA-LGD.
  - b. We determined that actual expenditures exceeded the final budget at the legal level of budgetary control for both the General Fund (\$166,707) and the Irrigation Works Fund (\$568).
  - c. We have prepared a schedule of revenues and expenditures – budget and actual on the budgetary basis used by Sierra Soil and Water Conservation District for each individual fund.
8. We have reviewed 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 and found none.

No other information came to our attention indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies.

We were not engaged to, and did not, conduct an audit, the objective of which would be these 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 Sierra Soil and Water Conservation District management, others within the district, the Board of Supervisors, the State Auditor, and the New Mexico Legislature and is not intended to be and should not be used by anyone other than those specified parties.

*Kriegel/Gray/Shaw & Co., P.C.*

Kriegel/Gray/Shaw & Co., P.C.

March 11, 2011

**STATE OF NEW MEXICO**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**  
**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGETARY BASIS AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Mill Levy	\$195,000	\$230,931	\$230,931	\$0
Intergovernmental revenue and grants	224,500	473,055	476,016	2,961
Rents	36,575	36,372	36,372	0
Fees and charges for services	6,400	6,479	8,896	2,417
Interest income	215	187	187	0
Other revenue	250	28,146	22,133	(6,013)
<i>Total revenues</i>	<u>462,940</u>	<u>775,170</u>	<u>774,535</u>	<u>(635)</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	451,163	644,495	800,731	(156,236)
Debt service				
Principal and interest	0	0	10,789	(10,789)
Capital outlay	8,000	8,000	8,040	(40)
<i>Total expenditures</i>	<u>459,163</u>	<u>652,495</u>	<u>819,560</u>	<u>(167,065)</u>
<i>Excess (deficiency) of revenue over expenditures</i>	<u>\$3,777</u>	<u>\$122,675</u>	<u>(\$45,025)</u>	<u>(\$167,700)</u>

Reconciliation of the District's governmental special revenue fund between the Non-GAAP budgetary (cash) basis and the financials on the GAAP basis:

Excess (deficiency) of revenue over expenditures (Budgetary Basis)	(\$45,025)
Adjustments for revenue accruals, transfers, earnings on investments	0
Adjustments for expenditures for payables, inventory, other expenditure accruals	(1,331)
<b>Excess (deficiency) of revenue over expenditures (GAAP Basis)</b>	<b>(\$46,356)</b>

**STATE OF NEW MEXICO**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**  
**SPECIAL REVENUE FUND - IRRIGATION WORKS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGETARY BASIS AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Loan repayments	\$5,100	\$5,431	\$5,431	\$0
Interest	50	0	0	0
Loan proceeds	40,000	0	0	0
<i>Total revenues</i>	45,150	5,431	5,431	0
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Loan payments (principal and interest)	3,208	4,124	4,692	(568)
Loan administration	1,500	1,170	1,170	0
Loan disbursements	40,000	0	0	0
<i>Total expenditures</i>	44,708	5,294	5,862	(568)
<i>Excess (deficiency) of revenue over expenditures</i>	\$442	\$137	(\$431)	(\$568)

Reconciliation of the District's governmental special revenue fund between the Non-GAAP budgetary (cash) basis and the financials on the GAAP basis:

Excess (deficiency) of revenue over expenditures (Budgetary Basis)	(\$431)
Adjustments for revenue accruals, transfers, earnings on investments	0
Adjustments for expenditures for payables, inventory, other expenditure accruals	0
<b>Excess (deficiency) of revenue over expenditures (GAAP Basis)</b>	<b>(\$431)</b>



**STATE OF NEW MEXICO**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

---

**SECTION II – FINANCIAL STATEMENT FINDINGS**

---

**CURRENT YEAR SIGNIFICANT DEFICIENCIES:**

**2010-01 Expenditures Exceed Budget**

**Statement of Condition** – The District exceeded its budget in the General Fund by \$166,707 and exceeded its budget in the Irrigation Works Fund by \$568.

**Criteria** – The budget provisions as stated in 6-3-1 to 6-3-25 NMSA 1978 require that expenditures at the fund level cannot exceed budgeted expenditures.

**Cause** – The general ledger is maintained using a partial cash basis and partial accrual basis of accounting rather than a straight cash basis that can be compared to the budget without numerous adjustments. The District did not have a concise cash basis set of books to make budgetary comparisons.

**Effect** – Noncompliance with New Mexico budgeting statutes.

**Recommendation** – The District should consider maintaining their general ledger on the budgetary basis (cash basis) to simplify comparison to budget and budgetary reporting.

**Management's Response** – The District will now maintain the general ledger on the budgetary cash basis to make the budget comparison to reporting easier and on the same accounting basis. The District will implement procedures and corrections to accomplish this and also review reports to see that this objective is accomplished.

**STATE OF NEW MEXICO**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

---

**SECTION II – FINANCIAL STATEMENT FINDINGS**

---

**CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):**

**2010-02 Reports Not Submitted Timely to New Mexico State Auditor's Office**

**Statement of Condition** – The report for the Agreed Upon Procedures engagement was not submitted to the State Auditor's office by the December 1, 2010 due date.

**Criteria** – Agreed Upon Procedures engagements are due to the State Auditor's Office by December 1, 2010 for June 30, 2010 fiscal year ends per 2.2.2.16 NMAC.

**Cause** – The original contract was for a Tier 4 engagement. Upon commencing the procedures it was determined that the District required a Tier 6 engagement. The District submitted amendment paperwork to the State Auditor's office on October 26, 2010. The amendment was not approved until November 12, 2010. The time to complete the additional procedures prior to the December 1, 2010 due date was not adequate.

**Effect** – Noncompliance with engagement due date requirements.

**Recommendation** – The District should contract early for agreed upon procedures to provide adequate time to complete timely and allow time for unexpected circumstances.

**Management's Response** – The District agrees that early contract arrangements should be made in order to meet deadlines. This engagement as well as the establishment of a relationship with a professional to do the work, should provide the adequate time needed.

**STATE OF NEW MEXICO**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**  
**EXIT CONFERENCE**  
**JUNE 30, 2010**

**EXIT CONFERENCE:**

The exit conference was held March 15, 2011 and was attended by the following:

**From Sierra Soil and Water Conservation District:**

Merry Jo Fahl, District Coordinator  
Willard Hall, Chairman

**From Kriegel/Gray/Shaw & Co., P.C.:**

Debbie Gray, CPA/Shareholder  
Kristi Granados, CPA, Staff Auditor

**FINANCIAL STATEMENT PREPARATION**

The financial statements of Sierra Soil and Water Conservation District were prepared from original books and records provided by and with assistance from the management of the District and Kriegel/Gray/Shaw & Co., P.C. as of and for the year ended June 30, 2010.



**KRIEGEL/GRAY/SHAW & CO., P.C.**

2452 Missouri Ave., P.O. Box 2707, Las Cruces, New Mexico 88004 • Phone: (575) 523-7444, Fax: (575) 527-0872

---

# **STATE OF NEW MEXICO**

## **SIERRA SOIL AND WATER CONSERVATION DISTRICT**

### **FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**STATE OF NEW MEXICO**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**

TABLE OF CONTENTS  
JUNE 30, 2010

	<u>Page</u>
<b>ACCOUNTANTS COMPILATION REPORT</b>	1
<b>FUND FINANCIAL STATEMENTS:</b>	
Balance Sheet – Governmental Funds	2
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	3
<b>NOTES TO FINANCIAL STATEMENTS</b>	4



**ACCOUNTANTS COMPILATION REPORT**

To the Board of Supervisors  
Sierra Soil and Water Conservation District  
Truth or Consequences, New Mexico

We have compiled the accompanying balance sheet – Governmental Funds of Sierra Soil and Water Conservation District as of June 30, 2010, and the related statement of revenues, expenditures, and changes in fund balance – Governmental Funds for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them. However, we did become aware of departures from generally accepted accounting principles that are described in the following paragraph.

The statement of net assets as of June 30, 2010 and the related statement of activities and note disclosures for the year then ended have not been presented. Generally accepted accounting principles require that such statements be presented when financial statements purport to present government wide financial statements. If the omitted financial statements and disclosures were included in the financial statements, they might influence the user's conclusions about the Government's financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

*Kriegel/Gray/Shaw & Co., P.C.*  
Kriegel/Gray/Shaw & Co., P.C.

March 11, 2011

**STATE OF NEW MEXICO**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2010

	<u>Major Fund</u>	<u>Non Major Governmental Fund</u>	<u>Total Governmental Funds</u>
	General Fund	Irrigation Works	
<b>Assets</b>			
Cash	\$171,549	\$7,144	\$178,693
<b>Total assets</b>	<b>\$171,549</b>	<b>\$7,144</b>	<b>\$178,693</b>
<b>Liabilities and fund balance</b>			
Liabilities:			
Accounts payable	\$1,330	\$0	\$1,330
Payroll liabilities	740	0	740
<b>Total Liabilities</b>	<b>2,070</b>	<b>0</b>	<b>2,070</b>
Fund balance:			
Reserved for debt service	6,683	0	6,683
Unreserved, undesignated			
General Fund	162,796	0	162,796
Special Revenue Fund	0	7,144	7,144
<b>Total fund balance</b>	<b>169,479</b>	<b>7,144</b>	<b>176,623</b>
<b>Total liabilities and fund balance</b>	<b>\$171,549</b>	<b>\$7,144</b>	<b>\$178,693</b>

See accompanying Notes and Accountant's Compilation Report.

**STATE OF NEW MEXICO**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<b>Major Fund</b>	<b>Non Major Governmental Fund</b>	<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Irrigation Works</b>	
<b>REVENUES</b>			
Taxes:			
Mill Levy	\$230,931	\$0	\$230,931
Intergovernmental revenue and grants	476,016	5,431	481,447
Fees and charges for services	8,896	0	8,896
Interest income	187	0	187
Rents	36,372	0	36,372
Contributions and donations from private sources	0	0	0
Other revenue	22,133	0	22,133
<b>Total revenues</b>	<b>774,535</b>	<b>5,431</b>	<b>779,966</b>
<b>EXPENDITURES</b>			
Current:			
General government	802,270	0	802,270
Debt Service:			
Loan principal and interest	10,789	5,862	16,651
Capital Outlay:			
Capital outlay	7,831		7,831
<b>Total expenditures</b>	<b>820,890</b>	<b>5,862</b>	<b>826,752</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(46,355)</i>	<i>(431)</i>	<i>(46,786)</i>
Fund balance - July 1, beginning	215,834	7,575	223,409
<b>Fund balance - June 30, ending</b>	<b>\$169,479</b>	<b>\$7,144</b>	<b>\$176,623</b>

See accompanying Notes and Accountant's Compilation Report.



**STATE OF NEW MEXICO**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

The Sierra 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 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 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 for 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 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 has not presented the government wide statements, Statement of Net Assets, Statement of Activities, and the related note disclosures ordinarily included in governmental entity financial statements. To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Governmental fund financial statements are reported using the *current financial resources measurement focus and modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities in the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are 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, 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.

The District reports the following major governmental fund:

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**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The District reports the following non major governmental fund:

The special revenue fund is utilized to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The special revenue fund was set up to account for the District's Re-Loan Program. The District receives low interest loans from the New Mexico Interstate Stream commission (NMISC) to lend funds to landowners in the District at low interest rates for projects to conserve irrigation water on their property.

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

**Assets, Liabilities and Net Assets**

**Deposits and Investments**

The District is authorized under the provision of 6-10-10 NMSA 1978, as amended, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States. The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit, be collateralized by the depository thrift or banking institution. Currently, state statutes require that a minimum of fifty percent (50%) of uninsured balances on deposit with any one institution must be collateralized, with higher requirements up to one hundred percent (100%) for financially troubled institutions. If the securities pledged are United States government securities, they are pledged at market value, if they are New Mexico municipal bonds, they are pledged at par value.

In accordance with Federal Deposit Insurance Authority, public unit deposits are funds owned by the District. Demand deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate.

**Long-Term Assets and Liabilities**

Because the District has not presented government-wide statements the long-term capital assets and long-term debt are presented in these notes for additional information purposes only.

**Capital Assets**

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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.

**STATE OF NEW MEXICO**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave or "comp" time. Annual vacation is earned at a rate of 4 hours per pay period, 6 hours after three years of employment and at 8 hours after 15 years of employment. Two hundred and forty hours may be carried over to the next year, but any excess is forfeited. The vacation pay liability is reported as general long-term.

**Long-Term Obligations**

Long-term obligations are as follows:

1. The District participates in the New Mexico Interstate Streams Commission (NMISC) Irrigation Works Loan Program. The District receives low interest loans from the NMISC to lend to landowners in the District at low interest rates for projects to conserve irrigation water on their property. Recently the Office of the State engineer (OSE) started a process that will require registered irrigation well owners within the Lower Rio Grande Basin to install a meter on their well. The average cost of these meters is over \$1,000 and many agriculture producers have more than one irrigation well. To help producers meet the deadline required by the OSE, the District has utilized the short-term loan program for the installation of well meters.
2. The District has a no-interest mortgage for the construction of the current facility in Truth or Consequences from the New Mexico Finance Authority. The District makes monthly payments and the mortgage agreement requires a reserve amount of \$6,683. This amount is kept in a separate bank account from the operating fund.
3. A third long-term loan is with First Savings Bank for the purchase of a new vehicle in 2010.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

As reported in Exhibit 3, the fund balance in Interstate Stream Fund is reserved for re-loans to land owners. In General Fund of the fund balance is unreserved.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**STATE OF NEW MEXICO**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**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 April 1 of each year, the Budget committee submits a proposed revenue and expenditures budget for the fiscal year beginning July 1 to the District Board of Supervisors.
2. The Board reviews the budget proposal and makes any necessary adjustments.
3. Prior to June 1 of each year, the Board approves the budget by passing a resolution.
4. Prior to June 20, 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 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.

**NOTE 3. DEPOSITS AND TEMPORARY INVESTMENTS**

Cash and temporary investments as of June 30, 2010, are classified as and comprised of in the accompanying financial statements as follows:

Cash and cash equivalents – restricted	\$6,683
Cash and cash equivalents – unrestricted	\$172,010
Cash on hand	\$0
Deposits held with financial institutions	178,693
	<u>\$178,693</u>

**Authorized Deposits and Investments**

Under provisions of New Mexico Statutes Annotated, the District may invest in certain types of deposit and investment accounts as listed in Note 1 (c)(1) to the financial statements.

**STATE OF NEW MEXICO**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**NOTE 3. DEPOSITS AND TEMPORARY INVESTMENTS (CONTINUED)**

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District has not adopted a deposit and investment policy with policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half (50 percent) of the amount on deposit with the institution.

At June 30, 2010, of the District's bank balance of \$206,713, \$0 was exposed to custodial credit risk. At June 30, 2010, the carrying amount or book balance of these deposits was \$178,693.

The schedule below discloses the insured portion of the District's deposits:

	Bank of the Southwest
Total of deposit in bank	\$206,713
Less: FDIC coverage	206,713
Total uninsured public funds	\$0
Pledged collateral held by the pledging bank's agent not in the District's name	\$0
Uninsured and uncollateralized	\$0
50% Pledged collateral requirement per statute	\$0
Securities pledged	0
Pledged collateral (over) under the requirement	\$0

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the District consists of the following at June 30, 2010:

	Balance June 30, 2009	Additions	Retirements	Transfers	Balance June 30, 2010
Capital assets being depreciated:					
Buildings and system	\$87,300	\$0	\$0	\$0	\$87,300
Machinery and equipment	124,571	10,547	0	0	135,118
Vehicles	76,108	35,141	33,033	0	78,216
<b>Total capital assets</b>	<b>\$287,979</b>	<b>\$45,688</b>	<b>\$33,033</b>	<b>\$0</b>	<b>\$300,634</b>

**STATE OF NEW MEXICO**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**NOTE 5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and other current liabilities as of June 30, 2010 for the District's funds are as follows:

	Government	Irrigation Works Fund	Totals
Accounts Payable	\$1,330	\$0	\$1,330
Accrued Payroll Taxes	740	0	740
<b>Total accounts payable and other current liabilities</b>	<b>\$2,070</b>	<b>\$0</b>	<b>\$2,070</b>

**NOTE 6. LONG-TERM DEBT**

The District has entered into two loan agreements with the New Mexico Interstate Stream Commission for the purpose of lending funds to landowners in the district for water conservation projects. The terms of the agreements are as follows:

Loan #	2002-0489	2007-0525
Date of Loan	7/1/02	7/1/07
Amount of Loan	\$40,000	\$10,000
Interest Rate	2.50%	2.50%
Term	20	5
Annual Payment	\$2,566	\$2,106

The following schedule details the debt service requirements for the two loans payable to the Interstate Stream Commission at June 30, 2010

Year Ended	Principal	Interest	Total
2011	\$4,181	\$491	\$4,672
2012	4,286	386	4,672
2013	2,332	279	2,611
2014	2,345	221	2,566
2015	2,404	162	2,566
2016-2017	4,086	143	4,229
<b>TOTAL</b>	<b>\$19,634</b>	<b>\$1,682</b>	<b>\$21,316</b>

The District also entered into a long-term mortgage with the New Mexico Finance Authority for the construction of the current facility at Sierra Plaza. The District makes monthly payments and maintains a required reserve account of \$6,683. This amount is maintained in a separate cash account. The mortgage was entered into on July 11, 2008 for \$133,658 with the first payment to be made in September 2008. Monthly payments are \$557. During 2010, the District made 13 payments totaling \$7,240. The balance as of June 30, 2010 is \$117,788.

**STATE OF NEW MEXICO**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**NOTE 6. LONG-TERM DEBT (CONTINUED)**

The following schedule details the debt service requirements for the mortgage payable to the New Mexico Finance Authority.

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$6,683	\$0	\$6,683
2012	6,683	0	6,683
2013	6,683	0	6,683
2014	6,683	0	6,683
2015	6,683	0	6,683
2016-2020	33,415	0	33,415
2021-2025	33,415	0	33,415
2026-2028	17,543	0	17,542
<b>TOTAL</b>	<b>\$117,788</b>	<b>\$0</b>	<b>\$117,788</b>

A fourth long-term loan is with First Savings Bank for the purchase of a vehicle. The original principal was \$30,141 dated October 7, 2009 with a term of 5 years. The note carries a 6% interest rate. The note requires 59 payments of \$584 and an irregular last payment of the balance. All payments are due on the 7<sup>th</sup> of each month. The balance as of June 30, 2010 was \$26,606.

The following schedule details the debt service requirements for the 5-year automobile note.

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$5,540	\$1,467	\$7,007
2012	5,883	1,124	7,007
2013	6,254	753	7,007
2014	6,645	362	7,007
2015	2,284	51	2,335
<b>TOTAL</b>	<b>\$26,606</b>	<b>\$3,757</b>	<b>\$30,363</b>

**Changes in Long-term Liabilities:**

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010	Amount Due Within One Year
Mortgage payable-NMFA	\$125,028	\$0	\$7,240	\$117,788	\$6,683
Notes payable-automobile	0	30,141	3,535	26,606	5,540
Notes payable-NMISC	23,758	0	4,124	19,634	4,181
	148,786	30,141	14,899	164,028	16,404
Compensated absences*	12,036	11,988	9,055	14,969	0
	<b>\$160,822</b>	<b>\$42,129</b>	<b>\$23,954</b>	<b>\$178,997</b>	<b>\$16,404</b>

**STATE OF NEW MEXICO**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**NOTE 6. LONG-TERM DEBT (CONTINUED)**

Compensated absences are usually liquidated by the general fund.

Total debt service requirements to maturity are as follows:

Year Ended June 30,	General Fund		Interstate Stream Commission Reloan Operations	
	Principal	Interest	Principal	Interest
2011	\$12,223	\$1,467	\$4,181	\$491
2012	12,566	1,124	4,286	386
2013	12,937	753	2,332	279
2014	13,328	362	2,345	221
2015	8,967	51	2,404	162
2016 -- 2020	33,415	0	4,086	143
2021 -- 2025	33,415	0	0	0
2026 -- 2028	17,543	0	0	0
	<u>\$144,394</u>	<u>\$3,757</u>	<u>\$19,634</u>	<u>\$1,682</u>

Interest charged to expense for the year ended June 30, 2010 was:

	General Fund	Interstate Stream Commission Reloan	Total
Interest expense	\$1,129	\$548	\$1,677



**STATE OF NEW MEXICO**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 7. PERA PENSION PLAN**

Substantially all of the District's full-time employees participate in the public employee retirement system (PERA) authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). PERA is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides retirement, disability and survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statement and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87505-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

Both plan members and the District are required to contribute 7% of the gross covered salary. The contribution requirements of plan members and the District are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the year ended June 30, 2010 was \$13,258, which equal the amount of the required contributions for the fiscal year.

The District did not offer a deferred compensation plan or post-employment benefits as of June 30, 2010 or during the year then ended.

**NOTE 8. RISK MANAGEMENT**

The District is exposed to various risks of loss due to torts, theft or damage of assets, errors and omissions and natural disasters. The district's supervisors and employees are covered by an errors and omissions liability policy purchased by the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,050,000 for each wrongful act and \$1,050,000 for the policy aggregated. The District currently maintains a \$500,000 commercial liability insurance and \$500,000 in business automobile insurance. The District is required to obtain a corporate surety bond on behalf of persons responsible for District assets. The District sustained no losses during the last several years and is not a defendant in any lawsuit. Currently, the District maintains the following surety bond with Hot Springs Insurance:

Bond:	Employee Dishonesty Coverage
Term:	March 1, 2010 – March 1, 2011
Coverage:	District coordinator, Chairman and Secretary/Treasurer
Amount:	\$60,000 each

**NOTE 9. RELATED PARTY TRANSACTION**

The District's Chairman, Willard Hall, was paid \$7,000 for professional services to provide FFA training to the local high school.