

**STATE OF NEW MEXICO  
SIERRA SOIL AND WATER  
CONSERVATION DISTRICT  
Independent Accountants' Report on  
Applying Agreed-Upon Procedures  
Year Ended June 30, 2012**

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

**STATE OF NEW MEXICO  
SIERRA SOIL AND  
WATER CONSERVATION DISTRICT  
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June 30, 2012**

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**STATE OF NEW MEXICO  
SIERA SOIL AND  
WATER CONSERVATION DISTRICT  
Official Roster  
June 30, 2012**

**Board of Supervisors**

Willard Hall  
Tami Garnett  
Crystal Diamond  
Randy Coil  
Ken James  
John Able  
Ronnie Wolf

Chairman  
Vice-Chairman  
Secretary/Treasurer  
Supervisor  
Supervisor  
Supervisor  
Supervisor

**Staff**

Mary Jo Fahl

District Manager

**Dan Austin CPA, PC  
700 Mechem Drive Ste. 15  
Ruidoso, NM 88345  
505-257-0081**

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

Willard Hall, Chairman and  
The Board of Supervisors  
Sierra Soil and Water Conservation District  
and Honorable Hector H. Balderas New Mexico State Auditor

We have performed the procedures enumerated below for the Sierra Soil and Water Conservation District (SSWCD), for the year ended June 30, 2012. The SSWCD 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 SSWCD through the Office of the New Mexico State Auditor. The Sierra Soil and Water Conservation District's management is responsible for the organization's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

**1. Cash**

Procedures:

- (a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.
- (b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division (DFA-LGD).
- (c) Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Findings:

The SSWCD has four bank accounts and utilizes Quickbooks to record transactions. All bank reconciliations are performed within days of receiving the bank statements and all were complete and on-hand. The SSWCD also had two accounts with the New Mexico Finance Authority.

Random tests of bank reconciliations revealed that the reconciliations were accurate and agreed with supporting documentation and with the quarterly financial reports submitted to DFA-LGD.

## **2. Capital Assets**

### **Procedures:**

- (a) Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA1978.

### **Findings:**

The SSWCD performed a yearly inventory as required by Section 12-6-10 NMSA 1978 and maintains a capital asset listing and all depreciation schedules were examined.

## **3. Debt**

### **Procedures:**

Review debt agreements and verify that all payments were made per made and reserve requirements were in compliance with agreements.

### **Findings:**

We reviewed the debt agreements 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**

### **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.
- (b) Test 60% of the total amount of revenues for the following attributes:

Amount recorded in the general ledger agrees to the supporting documentation and the bank statement. Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

### **Findings:**

Analytical review and test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions. Amounts recorded in Quickbooks agreed with supporting documentation and the amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation.

## **5. Expenditures**

### **Procedures:**

- (a) Select a sample of cash disbursements and test at least 50% of the total amount of expenditures for the following attributes:
- (b) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- (c) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- (d) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

### **Findings:**

We tested 60% of the amounts recorded as disbursed and agreed with supporting documentation. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and cancelled check, as appropriate.

Disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

The bid process (or request for proposal process, if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC ).

## **6. Journal Entries**

### **Procedures:**

- (a) If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:
- (b) Journal entries appear reasonable and have supporting documentation.
- (c) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

### **Findings:**

The financial records of Sierra Soil and Water Conservation District indicated that journal entries were posted to the general ledger and prepared by outside accounting firm and approved by District staff. All journal entries appeared reasonable.

## **7. Budget**

### Procedures:

- (a) Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:
- (b) Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.
- (c) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.
- (d) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures - budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

### Findings:

A review of the minutes revealed that the original budget was approved by the SSWCD and the DFA-LGD. The subsequent budget adjustments which were approved by the DFA-LGD.

Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.

A schedule of revenues and expenditures - budget and actual was prepared on the cash budgetary basis used by the SSWCD.

## **8. Capital Outlay Appropriations**

### Procedures:

- (a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify the amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- (b) Determine that the cash disbursements were properly authorized and approved in accordance with budget, legal requirements and established policies and procedures.
- (c) Determine that the bid process, purchase orders, contracts and agreements were processed in accordance with New Mexico Procurement Code and State Purchasing Regulations.
- (d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.

- (e) Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with general ledger and other supporting documentation.
- (f) If the project was funded in advance, determine if the award balance and cash balance appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- (g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.
- (h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing is so required by the capital outlay award agreement.
- (i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

**Findings:**

We have examined the records for 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.

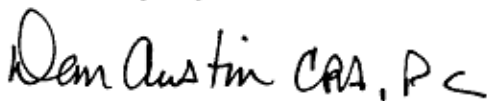
**9. Other Procedures**

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.

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Sierra Soil and Water Conservation District, the New Mexico State Auditor's Office 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  
November 19, 2012



**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, 2012**

<b>Revenues:</b>	<b>Budget Original</b>	<b>Budget Final</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Mill Levy	\$ 250,000	\$ 250,000	\$ 253,006	\$ 3,006
Intergovernmental revenue and grants	337,593	337,593	89,288	(248,305)
Rents	36,763	36,763	27,669	(9,094)
Fees and charges for services	2,250	2,250	2,475	225
Interest income	155	155	190	35
Other Revenue	500	500	149	(351)
Total revenue	<u>627,261</u>	<u>627,261</u>	<u>372,777</u>	<u>(254,484)</u>
 Budgeted cash balance	 <u>188,370</u>	 <u>188,370</u>		
 Total revenue and cash	 <u>\$ 815,631</u>	 <u>\$ 815,631</u>		
 <b>Expenditures:</b>				
General Government	\$ 571,160	\$ 602,210	\$ 326,941	275,269
Debt Service-Principal	14,000	14,000	13,058	942
Debt Service-Interest	1,000	1,000	678	322
Capital Outlay	-	-	-	-
Total expenditures	<u>586,160</u>	<u>617,210</u>	<u>340,677</u>	<u>276,211</u>
 <b>Excess (deficiency) of revenue over expenditures</b>	 <u>\$ 229,471</u>	 <u>\$ 198,421</u>	 <u>\$ 32,100</u>	 <u>\$ 21,727</u>

Reconciliation to GAAP Basis

Changes in accounts receivable	-
Changes in accounts payable	-
Excess Deficiency of Revenues over expenditures	<u>\$ 32,100</u>

**State of New Mexico**  
**Sierra Soil and Water Conservation District**  
**Special Revenue-Irrigation Works**  
**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balance-Budgetary Basis and Actual**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Budget</u> <u>Original</u>	<u>Budget</u> <u>Final</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>				
Loan repayments	\$ 44,000	\$ 44,000	\$ 4,684	\$ (39,316)
Interest income	1,150	1,150	1,249	99
Total revenue	<u>45,150</u>	<u>45,150</u>	5,933	(39,217)
Budgeted cash balance	<u>7,496</u>	<u>7,496</u>		
Total revenue and cash	<u>\$ 52,646</u>	<u>\$ 52,646</u>		
<b>Expenditures:</b>				
Loan Proceeds	\$ -	\$ -	\$ -	\$ -
Debt Service-Principal	44,000	44,000	4,301	39,699
Debt Service-Interest	708	708	396	312
Total expenditures	<u>44,000</u>	<u>44,000</u>	<u>4,697</u>	<u>39,699</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 1,150</u>	<u>\$ 1,150</u>	\$ 1,236	<u>\$ 482</u>

Reconciliation to GAAP Basis

Changes in accounts receivable	-
Changes in accounts payable	-
Excess Deficiency of Revenues over expenditures	<u>\$ 1,236</u>

**STATE OF NEW MEXICO  
SIERRA SOIL AND WATER CONSERVATION DISTRICT  
Schedule of Findings and Responses  
Year Ended June 30, 2012**

**Prior Year Audit Findings**

2011-01 Cash Reporting - Resolved

**Current Year Findings**

None

**STATE OF NEW MEXICO  
SIERRA SOIL AND WATER CONSERVATION DISTRICT  
Exit Conference  
Year Ended June 30, 2012**

**EXIT CONFERENCE**

The report contents were discussed at an exit conference held on November 21, 2012 with the following in attendance:

Sierra Soil and Water Conservation District

Randy Coil , Supervisor  
Mary Jo Fahl, District Manager

Accounting Firm

Dan Austin, CPA

State of New Mexico  
Sierra Soil and Water Conservation District  
Compiled Financial Statements  
June 30, 2012

**STATE OF NEW MEXICO  
SIERRA SOIL AND WATER CONSERVATION DISTRICT  
COMPILED FINANCIAL STATEMENTS**

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JUNE 30, 2012**

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Ruidoso, NM 88345  
575-257-0081**

Accountant's 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, 2012, and the related statement of revenues, expenditures, and changes in fund balance- Governmental Funds for the year then ended. 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 the modified accrual basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified accrual basis of accounting and for designing, implementing, and maintaining internal control 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. 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, 2012 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.

*Dan Austin CPA, PC*

November 19, 2012

**State of New Mexico  
Sierra Soil and Water Conservation District  
Balance Sheet-Governmental Funds  
For the Fiscal Year Ended June 30, 2012**

	General Fund	Irrigation Works	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 220,298	\$ 8,732	\$ 229,030
Accounts receivable	-	-	-
<b>Total Assets</b>	<u>\$ 220,298</u>	<u>\$ 8,732</u>	<u>\$ 229,030</u>
<b>Liabilities and Fund Balance</b>			
Liabilities:			
Account Payable	\$ 1,740	\$ -	\$ 1,740
Payroll liabilities	480	-	480
<b>Total liabilities</b>	<u>2,220</u>	<u>-</u>	<u>2,220</u>
Fund Balance:			
Restricted For Debt Service	\$ 10,283	\$ 8,732	\$ 19,015
Unassigned for:			
General Fund	207,795	-	207,795
<b>Total Fund Balance</b>	<u>218,078</u>	<u>8,732</u>	<u>226,810</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 220,298</u>	<u>\$ 8,732</u>	<u>\$ 229,030</u>

See accompanying notes and accountant's report.



**State of New Mexico  
Sierra Soil and Water Conservation District  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance-Governmental Funds  
For the Fiscal Year Ended June 30, 2012**

	General Fund	Irrigation Works	Total Governmental Funds
<b>Revenues:</b>			
Mill Levy	\$ 253,006	\$ -	\$ 253,006
Intergovernmental revenue and grants	89,288	-	89,288
Rents	27,669	-	27,669
Fees and charges for services	2,475	-	2,475
Other revenue	149	-	149
Loan repayments	-	5,933	5,933
Interest income	190	-	190
Total revenue	<u>372,777</u>	<u>5,933</u>	<u>378,710</u>
<b>Expenditures:</b>			
General Government	326,941	-	326,941
Debt Service	13,736	4,697	18,433
Capital Outlay	-	-	-
Total expenditures	<u>340,677</u>	<u>4,697</u>	<u>345,374</u>
Excess (deficiency) of revenue over expenditures	32,100	1,236	33,336
Fund balance - beginning	<u>185,978</u>	<u>7,496</u>	<u>193,474</u>
Fund balance - ending	<u>\$ 218,078</u>	<u>\$ 8,732</u>	<u>\$ 226,810</u>

See accompanying notes and accountant's report.

**STATE OF NEW MEXICO**  
**SIERRA SOIL AND WATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 GASB14 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 THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 setup 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 THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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. The District incurred long-term loan 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 THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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, 2012, are classified as and comprised of in the accompanying financial statements as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Bank of the the Southwest-Operating	\$ 193,895	\$ -	\$ 193,895
Bank of the the Southwest-Savings	10,197	-	10,197
Bank of the the Southwest-Sierra Plaza	5,923	-	5,923
Bank of the the Southwest-Irrigation works	-	8,732	8,732
New Mexico State Treasurer	-	6,713	6,713
New Mexico State Treasurer	-	3,570	3,570
	<u>\$ 210,015</u>	<u>\$ 19,015</u>	<u>\$ 229,030</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 THE FINANCIAL STATEMENTS  
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**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, 2012, of the District's bank balance of \$227,780 of which \$0 was exposed to custodial credit risk. At June 30, 2012, the carrying amount or book balance of these deposits was \$218,746.

The cash on deposit with the New Mexico State Treasurer, is not subject statutory depository requirements in the amount of \$10,283.

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

Total Bank Deposits	\$ 227,780
Less FDIC Insurance	<u>(227,780)</u>
Total Uninsured Deposits	<u>\$ -</u>

There are no pledge requirements per New Mexico statutory requirements.

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the District consists of the following at June 30, 2012:

	Balance 6/30/2011	Adds	Retirements	Transfers	Balance 6/30/2012
Capital Assets being depreciated:					
Buildings and system	\$ 87,300	\$ -	\$ -	\$ -	\$ 87,300
Machinery and equipment	107,031	-	-	-	107,031
Vehicles	78,116	-	-	-	78,116
Total Capital Assets	<u>\$ 272,447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272,447</u>

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

Accounts payable and other current liabilities as of June 30, 2012 for the District's funds are as follows:

	<u>General Fund</u>	<u>Irrigation Works</u>	<u>Total</u>
Accounts Payable	\$ 1,677	\$ -	\$ 1,677
Payroll Tax	543	-	543
	<u>\$ 2,220</u>	<u>\$ -</u>	<u>\$ 2,220</u>

**NOTE 6. LONG-TERM DEBT**

The District has entered into a 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 agreement are as follows:

Loan #	2002-0489
Date of Loan	7/1/2002
Amount of Loan	\$40,000
Interest Rate	2.50%
Term	20 years
Annual Payment	\$2,566
Current Balance	\$11,123

The following schedule details the debt service requirements for the two loans payable to the Interstate Stream Commission at June 30, 2012

<u>Year Ended</u>	<u>Principal</u>	<u>Intestest</u>	<u>Total</u>
2013	\$ 2,332	\$ 279	\$ 2,611
2014	2,345	221	2,566
2015	2,404	162	2,566
2016	2,402	120	2,522
2017	1,640	23	1,663
	<u>\$ 11,123</u>	<u>\$ 805</u>	<u>\$ 11,928</u>

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. The balance as of June 30, 2012 is \$106,928.

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

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

Year Ended	Principal	Interest	Total
2013	\$ 6,683	\$ -	\$ 6,683
2014	6,683	-	6,683
2015	6,683	-	6,683
2016	6,683	-	6,683
2016-21	33,415	-	33,415
2022-26	33,415	-	33,415
2027-28	13,366	-	13,366
	<u>\$ 106,928</u>	<u>\$ -</u>	<u>\$ 106,928</u>

The District entered into a long-term loan agreement 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, 2012 was \$14,786

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

Year Ended	Principal	Interest	Total
2013	\$ 6,254	\$ 753	\$ 7,007
2014	6,645	362	7,007
2015	1,887	53	1,940
	<u>\$ 14,786</u>	<u>\$ 1,168</u>	<u>\$ 15,954</u>

Changes in Long-term Liabilities for the fiscal year ended June 30, 2012:

	6/30/2011	Additions	Retirements	6/30/2012	One Year
Note Payable - NMFA	\$ 113,611	\$ -	\$ (6,683)	\$ 106,928	\$ 6,683
Note Payable - Bank of SW	21,161	-	(6,375)	14,786	-
Notes Payable-NMISC	15,424	-	(4,301)	11,123	2,332
Compensated Absence	14,768	4,999	(8,934)	10,833	-
	<u>\$ 164,964</u>	<u>\$ 4,999</u>	<u>\$ (26,293)</u>	<u>\$ 143,670</u>	<u>\$ 9,015</u>

Compensated absences are usually liquidated by the general fund.



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

Total debt service requirements to maturity are as follows:

Year Ended	General Fund		Irrigation Works	
	Principal	Interest	Principal	Interest
2013	\$ 12,566	\$ 1,124	\$ 2,332	\$ 279
2014	12,937	753	2,345	221
2015	13,328	362	2,404	162
2016	9,062	53	4,042	143
2017	6,683	-	-	-
2018-22	33,415	-	-	-
2023-27	33,415	-	-	-
2028	6,683	-	-	-
	<u>\$ 128,089</u>	<u>\$ 2,292</u>	<u>\$ 11,123</u>	<u>\$ 805</u>

**NOTE 7. NOTES RECEIVABLE**

The District entered into a loan agreement with the New Mexico Interstate Stream Commission to acquire funds for the purpose of lending to landowners in the district for fund the purchase of water meters to meet federal requirements. The loans were made for various amounts based upon the cost of the meters being purchased by the landowner. The following is a summary of the activity of those loans:

	Balance 6/30/2011	Adds	Retirements	Adjustments	Balance 6/30/2012
Notes Receivable	\$ 6,048	\$ -	\$ (4,684)	\$ -	\$ 1,364

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**NOTE 8. 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 12 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, 2012 was \$4,642, 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, 2012 or during the year then ended.

**NOTE 9. 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 1,2012 - March 1,2013
Coverage:	District coordinator, Chairman and Secretary/Treasurer
Amount:	\$60,000 each

**NOTE 10. 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.