

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

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

Year Ended June 30, 2014

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, 2014**

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**STATE OF NEW MEXICO
SIERRA SOIL AND
WATER CONSERVATION DISTRICT
Official Roster
June 30, 2014**

Board of Supervisors

Willard Hall
Tami Garnett
Crystal Diamond
Randy Coil
Ken James
Steve Janos
Ronnie Wolf

Chairman
Vice-Chairman
Secretary/Treasurer
Supervisor
Supervisor
Supervisor
Supervisor

Staff

Merry Jo Fahl

District Manager

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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, 2014. 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. All uninsured deposits were secured per requirements of Section 6-10-17 NMSA 1978. No exceptions noted.

2. Capital Assets

Procedures:

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. No exceptions noted.

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. No exceptions noted.

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.

Select a samples of revenues based on judgment and test using the following attributes:

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

Findings:

Analytical review and test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions. We tested 68% of revenues amounts recorded in Quickbooks. All amounts recorded 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. No exceptions noted.

5. Expenditures

Procedures:

Select a sample of cash disbursements based on judgment for 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 cancelled check, as appropriate.
- (b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- (c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 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 65% 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. No exceptions noted.

All disbursements tested were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. No exceptions noted.

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) were tested when applicable. No exceptions noted.

6. Journal Entries

Procedures:

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- (a) Journal entries appear reasonable and have supporting documentation.

- (b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

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. No exceptions noted.

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 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.
- (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, 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. No exceptions noted.

Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control. No exceptions noted.

A schedule of revenues and expenditures - budget and actual was prepared on the cash budgetary basis used by the SSWCD. See pages 9-10.

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 as 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.

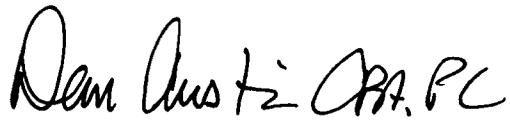
9. Other Procedures

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 (l) (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, the New Mexico State Legislature and the DFA-LGD and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Dan Austin CPA, P.C." The signature is written in a cursive, flowing style.

Dan Austin CPA, P. C.
Ruidoso, New Mexico
October 14, 2014

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, 2014

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Mill Levy	\$ 260,000	\$ 260,000	\$ 265,930	\$ 5,930
New Mexico Department of Agriculture	12,000	12,000	12,907	907
Intergovernmental revenue and grants	106,000	106,000	84,782	(21,218)
Rents	33,734	33,734	33,919	185
Investment revenue	175	175	187	12
Fees and charges for services	2,500	2,500	10,120	7,620
Other Revenue	800	800	19,948	19,148
Total revenue	<u>415,209</u>	<u>415,209</u>	427,793	12,584
Expenditures:				
General Government	\$ 398,984	\$ 398,984	\$ 384,746	14,238
Debt Service	13,700	13,700	13,678	22
Capital Outlay	<u>2,000</u>	<u>2,000</u>	1,017	983
Total expenditures	<u>414,684</u>	<u>414,684</u>	<u>399,441</u>	<u>14,260</u>
Excess (deficiency) of revenue and cash over expenditures	<u>\$ 525</u>	<u>\$ 525</u>	\$ 28,352	<u>\$ 26,844</u>
			<u>279,493</u>	
			<u>\$ 307,845</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, 2014**

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Loan repayments	\$ 5,100	\$ 5,100	\$ 255	\$ (4,845)
Other revenue	40,000	40,000	50	(39,950)
Interest income	50	50	4	(46)
Total revenue	<u>45,150</u>	<u>45,150</u>	309	(44,841)
Expenditures:				
Loan Proceeds	\$ 40,000	\$ 40,000	\$ -	\$ 40,000
Debt Service-Principal	2,590	2,590	2,566	24
Debt Service-Interest	-	-	-	-
Loan Administration	708	1,500	-	1,500
Total expenditures	<u>43,298</u>	<u>44,090</u>	<u>2,566</u>	<u>40,024</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 1,852</u>	<u>\$ 1,060</u>	\$ (2,257)	<u>\$ (4,817)</u>
			-	
			<u>8,285</u>	
			<u>\$ 6,028</u>	

**STATE OF NEW MEXICO
SIERRA SOIL AND WATER CONSERVATION DISTRICT
Schedule of Findings and Responses
Year Ended June 30, 2014**

Prior Year Audit Findings

13-1. IPA Recommendation-Resolved

Current Year Findings

None

**STATE OF NEW MEXICO
SIERRA SOIL AND WATER CONSERVATION DISTRICT
Exit Conference
Year Ended June 30, 2014**

EXIT CONFERENCE

The report contents were discussed an exit conference at the office of Sierra Soil and Water Conservation District on November 7, 2014 with the following in attendance:

Sierra Soil and Water Conservation District

Willard Hall , Chairman
Merry Jo Fahl, District Manager

Accounting Firm

Dan Austin, CPA

State of New Mexico
Sierra Soil and Water Conservation District
Compiled Financial Statements
June 30, 2014

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

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575-257-0081**

Accountant's Compilation Report

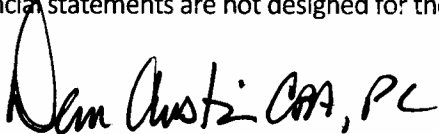
To the Board of Supervisors
Sierra Soil and Water Conservation District
Truth or Consequences, New Mexico

We have compiled the accompanying Balance Sheet - Governmental Funds of Sierra Soil and Water Conservation District as of June 30, 2014, 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, 2014 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.



October 14, 2014

**State of New Mexico
Sierra Soil and Water Conservation District
Balance Sheet-Governmental Funds
For the Fiscal Year Ended June 30, 2014**

	General Fund	Irrigation Works	Total Governmental Funds
Assets			
Cash	\$ 307,845	\$ 6,028	\$ 313,873
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>\$ 307,845</u></u>	<u><u>\$ 6,028</u></u>	<u><u>\$ 313,873</u></u>
Liabilities and Fund Balance			
Liabilities:			
Account Payable	\$ -	\$ -	\$ -
Payroll liabilities	<u>3,214</u>	<u>-</u>	<u>3,214</u>
Total liabilities	<u><u>3,214</u></u>	<u><u>-</u></u>	<u><u>3,214</u></u>
Fund Balance:			
Restricted For Debt Service	\$ -	\$ 6,028	\$ 6,028
Unassigned for:			
General Fund	<u>304,631</u>	<u>-</u>	<u>304,631</u>
Total Fund Balance	<u><u>304,631</u></u>	<u><u>6,028</u></u>	<u><u>310,659</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 307,845</u></u>	<u><u>\$ 6,028</u></u>	<u><u>\$ 313,873</u></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, 2014**

	General Fund	Irrigation Works	Total Governmental Funds
Revenues:			
Mill Levy	\$ 265,930	\$ -	\$ 265,930
New Mexico Department of Agriculture	12,907	-	12,907
Intergovernmental revenue and grants	84,782	-	84,782
Rents	33,919	-	33,919
Fees and charges for services	10,120	-	10,120
Other revenue	19,948	50	19,998
Loan repayments	-	255	255
Interest income	187	4	191
Total revenue	<u>427,793</u>	<u>309</u>	<u>428,102</u>
Expenditures:			
General Government	266,645	-	266,645
Payroll and related costs	120,977	-	120,977
Debt Service	13,678	2,566	16,244
Capital Outlay	1,017	-	1,017
Total expenditures	<u>402,317</u>	<u>2,566</u>	<u>404,883</u>
Excess (deficiency) of revenue over expenditures	25,476	(2,257)	23,219
Fund balance - beginning	<u>279,155</u>	<u>8,285</u>	<u>287,440</u>
Fund balance - ending	<u>\$ 304,631</u>	<u>\$ 6,028</u>	<u>\$ 310,659</u>

See accompanying notes and accountant's report.

STATE OF NEW MEXICO
SIERRA SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014

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, 2014

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 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, 2014**

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, 2014, 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	\$ 256,485	\$ -	\$ 256,485
Bank of the the Southwest-Savings	20,236	-	20,236
Bank of the the Southwest-Sierra Plaza	22,457	-	22,457
Bank of the the Southwest-Irrigation works	-	6,028	6,028
New Mexico Finance Authority	-	1,957	1,957
New Mexico Finance Authority	-	6,710	6,710
	<u>\$ 299,178</u>	<u>\$ 14,695</u>	<u>\$ 313,873</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
JUNE 30, 2014**

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, 2014, of the District's bank balance of \$311,663 of which \$61,663 was exposed to custodial credit risk. At June 30, 2014, the carrying amount or book balance of these deposits was \$305,206.

The cash on deposit with the New Mexico Finance Authority is not subject statutory depository requirements in the amount of \$8,667.

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

	Balance Per Bank	O/S Deposits	O/S Checks	Balance Per Books
Bank of Southwest-Operations	\$ 262,420	\$ -	\$ (5,935)	\$ 256,485
Bank of Southwest-Sierra Plaza	22,979	-	(522)	22,457
Bank of Southwest-Savings	20,236	-	-	20,236
Bank of Southwest-Irrigation Works	<u>6,028</u>	-	-	<u>6,028</u>
Total Deposits	311,663	<u>-</u>	<u>(6,457)</u>	<u>305,206</u>
FDIC Insurance	<u>(250,000)</u>			
Total Uninsured Deposits	61,663			
50% of Deposits	<u>(30,831)</u>			
Required Pledge	30,832			
Pledged Collateral	<u>(75,000)</u>			
(Over) Under Requirement	<u>\$ (44,168)</u>			
Pledged Collateral:				
FHLB Letter of Credit 11/03/14	\$ 25,000			
FHLB Letter of Credit 12/03/14	<u>50,000</u>			
Total Pledged Collateral	<u>\$ 75,000</u>			

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NOTE 4. CAPITAL ASSETS

Capital asset activity for the District consists of the following at June 30, 2014:

	Balance 6/30/2013	Adds	Retirements	Transfers	Balance 6/30/2014
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>

NOTE 5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and other current liabilities as of June 30, 2014 for the District's funds are as follows:

	General Fund	Irrigation Works	Total
Accounts Payable	\$ -	\$ -	\$ -
Payroll Tax	3,214	-	3,214
	<u>\$ 3,214</u>	<u>\$ -</u>	<u>\$ 3,214</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 is follows:

Date of Loan	7/1/2002
Amount of Loan	\$40,000
Interest Rate	2.50%
Term	20 years
Annual Payment	\$2,566
Current Balance	\$6,489

The following schedule details the debt service requirements for the two loans payable to the Interstate Stream Commission at June 30, 2014

Year Ended	Principal	Intestest	Total
2015	2,447	162	2,609
2016	2,402	120	2,522
2017	1,640	23	1,663
	<u>\$ 6,489</u>	<u>\$ 305</u>	<u>\$ 6,794</u>

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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 \$6,710. 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, 2014 is \$93,562

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

Year Ended	Principal	Interest	Total
2015	6,683	-	6,683
2016	6,683	-	6,683
2017	6,683	-	6,683
2018	6,683	-	6,683
2019	6,683	-	6,683
2020-2024	33,415	-	33,415
2025-2028	26,732	-	26,732
	<u>\$ 93,562</u>	<u>\$ -</u>	<u>\$ 93,562</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 7th of each month. The balance as of June 30, 2014 was \$2,344.

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

Year Ended	Principal	Interest	Total
2015	2,344	124	2,468
	<u>\$ 2,344</u>	<u>\$ 124</u>	<u>\$ 2,468</u>

Changes in Long-term Liabilities for the fiscal year ended June 30, 2014:

	Balance 6/30/2013	Additions	Retirements	Balance 6/30/2014	Due in One Year
Note Payable - NMFA	\$ 100,245	\$ -	\$ (6,683)	\$ 93,562	\$ 6,683
Note Payable - Bank of SW	8,989	-	(6,645)	2,344	3,192
Notes Payable-NMISC	8,834	-	(2,345)	6,489	2,332
Compensated Absence	6,833	9,720	(8,080)	8,473	6,833
	<u>\$ 124,901</u>	<u>\$ 9,720</u>	<u>\$ (23,753)</u>	<u>\$ 110,868</u>	<u>\$ 19,040</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
2015	\$ 6,683	\$ 362	2,447	162
2016	9,027	124	2,402	120
2017	6,683	-	1,640	23
2018	6,683	-	-	-
2019	6,683	-	-	-
2020-2024	33,415	-	-	-
2024-2028	26,732	-	-	-
	<u>\$ 95,906</u>	<u>\$ 486</u>	<u>\$ 6,489</u>	<u>\$ 305</u>

NOTE 8. PERA PENSION PLAN

Plan Descriptions: 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.

Funding Policy: Plan members are required to contribute 8.5% of their gross salary if they earned \$20,000 or less annually and plan members earning more than \$20,000 annually are required to contribute 8.5% of their salary. The District contributes 7% of their gross salary if they earned \$20,000 or less annually and plan members earning more than \$20,000 annually are required to contribute 7% of their salary contributes 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 District's contributions to PERA for the year ended June 30, 2014 was \$5,938, 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, 2014 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:

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Bond:	Employee Dishonesty Coverage
Term:	March 1, 2014 - March 1, 2015
Coverage:	District coordinator, Chairman and Secretary/Treasurer
Amount:	\$60,000 each

NOTE 10. RELATED PARTY TRANSACTION

The District's Chairman, Willard Hall, was paid \$1,500 for professional services to provide FFA training to the local high school.