

STATE OF NEW MEXICO
TIERRA Y MONTES
SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2005

(With Independent Auditor's Report Thereon)

STATE OF NEW MEXICO
TERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

TABLE OF CONTENTS
JUNE 30, 2005

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents	i	
Official Roster	ii	
FINANCIAL SECTION		
Independent Auditor's Report	1	
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	3
Statement of Activities	2	4
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	5
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets		6
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	4	7
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balance – Governmental Funds To the Statement of Activities		8
Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis) – General and Special Revenue Fund	5	9
Notes to the Financial Statements		10
OTHER REPORTS		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		24
Schedule of Findings and Recommendations		26
Exit Conference		28

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
OFFICIAL ROSTER
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
Rita Gallegos	Chairperson
Alvin Martinez	Vice-Chairperson
Napoleon Quintana	Secretary/Treasurer
Gabe Estrada	Supervisor
Willie R. Salas	Supervisor
<u>District Personnel</u>	<u>Title</u>
Frances Martinez	District Manager
Carla Garduño	Administrative Assistant



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

INDEPENDENT AUDITOR'S REPORT

Mr. Rita Gallegos, Chair
and Members of the Board of Supervisors
Tierra Y Montes Soil and Water Conservation District
1926 Seventh Street
Las Vegas, New Mexico 87701

We have audited the accompanying financial statements of the governmental activities, each major fund and the respective budgetary comparisons of the Tierra y Montes Soil and Water Conservation District (District) as of and for the year ended June 30, 2005, which collectively comprise the District's basis financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2005, and the respective changes in financial position, thereof and the budgetary comparisons for the major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented the Management's Discussion and Analysis required by *GASB Statement No. 34* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 24, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Office of the State Auditor

OFFICE OF THE STATE AUDITOR

March 24, 2006

STATE OF NEW MEXICO
 TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF NET ASSETS
 JUNE 30, 2005

	Governmental Activities
Assets	
Cash	\$ 260,579
Property taxes receivable	3,120
Other receivables	1,881
Due from grantors - federal sources	46,722
Due from grantors - state sources	31,396
Capital assets, net	57,049
Total assets	<u>400,747</u>
Liabilities	
Accounts payable	25,351
Accrued payroll	6,581
Noncurrent liabilities:	
Due within one year	19,072
Due in more than one year	16,965
Total liabilities	<u>67,969</u>
Net Assets	
Invested in capital assets	57,049
Restricted for:	
Conservation projects	78,118
Other purposes	-
Unrestricted	197,611
Total net assets	<u>\$ 332,778</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
 TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Governmental Activities
Program Expenses:	
Conservation:	
Payroll and fringe benefits	\$ 86,650
Education/project materials	15,357
Vehicle/Chipper gas maint. expense	10,482
Bonding and insurance	9,311
Travel	5,665
Training	5,237
Office supplies and other	4,918
Telephone/internet expense	4,304
Meeting expense	3,492
Dues and subscriptions	2,765
Building rent	800
Projects	332,122
Materials and supplies	7,121
Depreciation	12,744
Interest	828
Total program expenses	<u>501,796</u>
Program Revenues:	
Federal operating grants and contracts	98,041
State operating grants and contracts	<u>249,596</u>
Total program revenues	<u>347,637</u>
Net program (expense) revenue	<u>(154,159)</u>
General Revenues:	
NMDA allotment	9,775
Property taxes	182,931
Interest	1,562
Reimbursements	4,401
Miscellaneous	<u>5,011</u>
Total general revenues	<u>203,680</u>
Change in net assets	49,521
Net assets at beginning of year	
As originally stated	268,703
Restatement	14,554
As restated	<u>283,257</u>
Net assets at end of year	<u>\$ 332,778</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005

Exhibit 3

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash	\$ 260,579	\$ -	\$ 260,579
Property taxes receivable	3,120	-	3,120
Other receivables	1,881	-	1,881
Due from grantors - federal sources	-	46,722	46,722
Due from grantors - state sources	-	31,396	31,396
Due from Special Revenue Fund	78,118	-	78,118
Total assets	<u>\$ 343,698</u>	<u>\$ 78,118</u>	<u>\$ 421,816</u>
Liabilities and fund balance			
Liabilities:			
Accounts payable	\$ 25,351	\$ -	\$ 25,351
Accrued payroll	6,581	-	6,581
Due to General Fund	-	78,118	78,118
Total liabilities	<u>31,932</u>	<u>78,118</u>	<u>110,050</u>
Fund balance:			
Unreserved, undesignated	233,648	-	233,648
Reserved for conservation projects	78,118	-	78,118
Total fund balance	<u>311,766</u>	<u>-</u>	<u>311,766</u>
Total liabilities and fund balance	<u>\$ 343,698</u>	<u>\$ 78,118</u>	<u>\$ 421,816</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
 TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Exhibit 4

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
State allocation	\$ 9,775	\$ -	\$ 9,775
Property taxes	182,931	-	182,931
Grants and contracts - federal sources	-	98,041	98,041
Grants and contracts - state sources	-	234,081	234,081
City of Las Vegas reimbursement for ISC	4,401	-	4,401
Interest	1,562	-	1,562
Re-Leaf grants	15,515	-	15,515
Equipment rental and other	5,011	-	5,011
Total revenues	219,195	332,122	551,317
Expenditures			
Conservation:			
Current:			
Advertising	80	-	80
Bonding/Insurance	9,311	-	9,311
Building rent (Carpet)	800	-	800
Dues and subscriptions	2,765	-	2,765
Education/project materials	15,357	-	15,357
Gross receipts tax	58	-	58
Meeting expense	3,492	-	3,492
Office supplies	3,967	-	3,967
Payroll and related expenses	85,542	-	85,542
Postage and delivery	710	-	710
Processing Center expenses (Kiln)	103	-	103
Telephone/internet expense	4,304	-	4,304
Trainings	5,237	-	5,237
Travel	5,665	-	5,665
Vehicle/Chipper gas maint. expense	10,482	-	10,482
Project Materials and Miscellaneous	7,121	-	7,121
WURI project	-	50,985	50,985
Water Planning project	-	175,180	175,180
Sapello 319 projects	-	39,827	39,827
Hazardous Mitigation project	-	58,214	58,214
NM Water Trust Project	-	7,916	7,916
Debt Service - ISC loan:			
Principal payments	7,974	-	7,974
Interest	828	-	828
Total expenditures	163,796	332,122	495,918
Net change in fund balance	55,399	-	55,399
Fund balance beginning of year	256,367	-	256,367
Fund balance end of year	\$ 311,766	\$ -	\$ 311,766

The notes to the financial statements are an integral part of this statement.

Special Revenue Fund				Variance
Original Budget	Final Budget	Actual	Favorable (Unfavorable)	
-	-	-	-	-
248,729	248,729	72,417	(176,312)	-
336,537	336,537	235,809	(100,728)	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 585,266</u>	<u>\$ 585,266</u>	<u>\$ 308,226</u>	<u>\$ (277,040)</u>	-
\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
4,606	4,606	-	4,606	-
97,700	97,700	43,445	54,255	-
174,537	174,537	182,284	(7,747)	-
30,000	30,000	53,525	(23,525)	-
116,423	116,423	28,972	87,451	-
162,000	162,000	-	162,000	-
<u>\$ 585,266</u>	<u>\$ 585,266</u>	<u>\$ 308,226</u>	<u>\$ 277,040</u>	-

The notes to the financial statements are an integral part of the statement.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Tierra y Montes 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 has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The District, a phase three government, was acquired to implement GASB Statement 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* in fiscal year 2004. To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities,

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

which rely to a significant extent on fees and charges for support. However, the District does not have any fiduciary or business-type activities.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The District is unable, however, to fully implement

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

GASB Statement 33 since the County Treasurer is unable to provide the District with an amount that represents its share of the uncollected delinquent property taxes as of the date of the balance sheet. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

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

The special revenue fund accounts for proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose. The special revenue sources are federal grants such as the U.S. Environmental Protection Agency (EPA) for watershed restoration and stewardship, EPA Wetland Fluvial Geomorphology for trainings, U.S. Department of Agriculture Forest Service grant through NM Energy, Minerals and Natural Resources Department for the Hazardous Mitigation Projects, and the U.S. DOA WURI grant through NM Energy, Minerals and Natural Resources Department for wildland urban and rural interface project. The special revenue fund also accounts for a grant from the New Mexico Interstate Stream Commission for implementing a regional water planning program in accordance with Section 72-14-3.1 NMSA 1978.

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

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

Amounts reported as program revenues include operating grants and contributions. Internally designated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

D. Assets, Liabilities, Net Assets and Fund Balance

1. Deposits

The District's cash and cash equivalents are considered to be demand deposits and short term investments (a certificate of deposit) with an original maturity of six months from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, repurchase agreements, and certificates of deposit. Investments for the government, if applicable, are reported at fair value.

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. All amounts are expected to be repaid within one year.

Property taxes attach an enforceable lien as of January 1. Taxes are payable in equal semi-annual installments on November 10 and April 10 of the subsequent year. The taxes become delinquent thirty days after the due date. The taxes are collected by the San Miguel County Treasurer and are remitted to the District in the month following collection. The other receivables consist of amounts for equipment rental and a payroll tax refund and are fully collectible.

3. Restricted Assets

Certain proceeds, such as grants for soil and water conservation, are classified as restricted assets on the balance sheet because their use is limited by applicable grant agreements.

4. Capital Assets

Capital assets, which include property and equipment (including software) are reported in the governmental activities column in the government-wide financial statements. Capital assets, are defined by state law as assets with an initial cost of \$1,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized.

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

Buildings	39 years
Building improvements	20 years
Vehicles	5 years
Office equipment	5 years
Farm equipment	7 years
Computer equipment	5 years

5. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide financial statements. A current liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of resignations and retirements.

According to District policy, employees accrue leave at 3.08 hours per pay period if employed less than three years, increasing to 4 hours for less than seven years, 5 hours for less than 11 years, 6 hours for less than 15 years, and 6.30 hours for 15 or more years. Employees may not carry more than 240 hours forward from one calendar year to the next.

6. Net Assets and Fund Balance

The difference between the District's assets and liabilities is its net assets. The District's net assets consist of three components – invested in capital assets, which is the cost of capital assets, net of accumulated depreciation, restricted for the conservation projects and unrestricted net assets. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation and/or are legally restricted by outside parties for use for a specific purpose.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

1. Prior to April 1, the Budget Committee submits to the District Board of Supervisors a proposed revenue and expenditure budget for the fiscal year beginning July 1.
 2. The Board reviews the budget proposal and makes any necessary adjustments.
 3. Prior to June 1, 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.

B. Reconciliation of Non-GAAP Budget to GAAP Basis Financial Statements

	General Fund	Special Revenue Fund
Non-GAAP revenues (Exhibit 5)	\$ 217,607	\$ 308,226
Prior year receivables	(2,354)	(54,222)
Current year receivables	3,942	78,118
GAAP revenues (Exhibit 4)	<u>\$ 219,195</u>	<u>\$ 332,122</u>

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

B. Reconciliation of Non-GAAP Budget to GAAP Basis Financial Statements (continued)

	General Fund	Special Revenue Fund
Non-GAAP expenditures (Exhibit 5)	\$ 144,228	\$ 308,226
Prior year payable	(4,855)	(54,222)
Prior year payroll accrual	(6,450)	-
Current year refund receivable	(1,059)	-
Current year due to General Fund	25,351	78,118
Current year payroll accrual	6,581	-
GAAP expenditures (Exhibit 4)	<u>\$ 163,796</u>	<u>\$ 332,122</u>

III. Detailed Notes on all Funds

A. Cash and Cash Equivalents

As of June 30, 2005, the District had a carrying amount of deposits of \$260,579. The bank balances for deposits were \$244,846. The difference between the carrying amount and the bank balance of deposits is due to deposits in transit of \$15,733. The total bank balance of \$244,846 consisted of the following:

<u>The Bank of Las Vegas</u>	
Demand deposits	\$ 149,451
Less: FDIC coverage	<u>(100,000)</u>
Amount uninsured	<u>\$ 49,451</u>
50% collateral requirement	\$ 24,726
Pledged securities at fair market value	97,031
Over (Under) Collateralized	<u>\$ 72,305</u>

The following is a description of the pledged collateral that is held under joint safekeeping receipts in the name of the District at the Federal Home Loan Bank of Dallas/State Street Corporation Global Custody Service: FNMA, CUSIP #3133MQM8, 3.25% rate, and a maturity date of 1/15/2008.

STATE OF NEW MEXICO
TERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

First National Bank of Las Vegas

Certificate of Deposit	\$ 13,277
Less: FDIC coverage	<u>(13,277)</u>
Amount uninsured	<u>\$ -0-</u>

New Mexico State Employees Credit Union

Money Market Deposit Account	\$ 82,118
Less: FDIC coverage	<u>(82,118)</u>
Amount uninsured	<u>\$ -0-</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2005, \$49,451 of the District's bank balance of \$244,846 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's agent not in the District's name \$ 49,451

B. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Restated Balance 6/30/04	Additions	Deletions	Balance 6/30/05
Leasehold Improvements	\$ 26,533	-	-	\$ 26,533
Vehicles	47,689	-	-	47,689
Farm Equipment	88,393	-	-	88,393
Equipment	11,497	-	-	11,497
Totals	<u>174,112</u>	<u>-</u>	<u>-</u>	<u>174,112</u>

STATE OF NEW MEXICO
TERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

B. Capital Assets (continued)

	Restated			Balance	
	6/30/04	Additions		Deletions	6/30/05
Governmental Activities					
Less accumulated depreciation:					
Leasehold Improvements	5,538	1,327		6,865	
Vehicles	33,135	3,881		37,016	
Farm Equipment	58,757	6,206		64,963	
Equipment	6,889	1,330		8,219	
Totals	<u>104,319</u>	<u>12,744</u>	-	<u>117,063</u>	
Total Capital Assets, Net	<u>\$ 69,793</u>	<u>\$ (12,744)</u>	-	<u>\$ 57,049</u>	

The District's depreciation of \$12,744 is all charged to the conservation function.

C. Interfund Receivables and Payables

The general fund receives special revenue fund revenues and pays expenses out of general fund cash accounts for the special revenue fund. The interfund receivable and payable of \$78,118 between general fund and special revenue fund has been eliminated from the government-wide financial statements. All of the amounts included in the interfund receivable/payable are expected to be repaid within the next fiscal year.

D. Long-Term Debt

Note Payable

In 1993, the District entered into a loan agreement with the New Mexico Interstate Stream Commission (ISC). The purpose of the loan was to clean sediments at a local dam. The note was issued in the amount of \$108,979 and is payable in annual installments of \$8,802 each April 30th through the year 2008. Interest is at 2.5% per annum. The City of Las Vegas has been assisting the District with repayment of half the note. The debt service requirements to maturity at June 30, 2004, including interest of \$2,095 are as follows:

STATE OF NEW MEXICO
TERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Year Ended	Principal	Interest	Total
6/30/06	\$ 8,173	\$ 628	\$ 8,802
6/30/07	8,378	424	8,802
6/30/08	8,587	215	8,802
6/30/09	-	-	-
Total	<u>\$ 25,138</u>	<u>\$ 1,267</u>	<u>\$ 26,406</u>

Changes in Long-term Liabilities

Long-term debt activity for the year ended June 30, 2005 was as follows:

	Balance 6/30/04	Increases	Decreases	Balance 6/30/05	Amount due within 1 year
Note payable	\$ 33,112	\$ -	\$ (7,974)	\$ 25,138	\$ 8,173
Compensated absences	<u>9,790</u>	<u>6,779</u>	<u>(5,670)</u>	<u>10,899</u>	<u>10,899</u>
Totals	<u>\$ 42,902</u>	<u>\$ 6,779</u>	<u>\$ (13,644)</u>	<u>\$ 36,037</u>	<u>\$ 19,072</u>

Compensated absences are generally liquidated by the general fund.

F. Restatements

In May 2004, the District disposed of fully depreciated capital assets with an original cost of \$9,286. The District did not notify the auditor during the audit for the fiscal year ending June 30, 2004 that it had disposed of these assets. Also, mathematical errors totaling \$14,554 were made when computing the depreciation in prior years.

IV. Other Information

A. Employee Retirement Benefits

Plan Description. Substantially all of the District's full time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Employees Retirement Association (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 statements and required supplementary information. The report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy. Plan members are required to contribute 13.15% of their gross salary. The District is required to contribute 9.15% 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 years ended June 30, 2005, 2004, and 2003 are \$11,427, \$10,462, and \$10,364 respectively, equal to the amount of required contributions each year.

B. Post-Employment Benefits

The Retiree Health Care Act (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, and dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

Monies flow into the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities, counties or others which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or Magistrate Retirement Act.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant under the Retiree Health Care Act on the person's behalf unless that person retires before the employer's NMRHCA effective date, in which case the time period for contributions becomes the time between the employer's effective date and the date of retirement; or (2) retirees

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

defined by the Act who retired prior to July 1, 1990 and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each employee contributes to the fund an employee contribution in an amount equal to 0.65% of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operations or participation in the plan. The employer, employee and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post-employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, Albuquerque State Government Center, 401 Roma, NW, Suite 200, Albuquerque, NM 87102.

For the year ended June 30, 2005, the District remitted \$577 in employer and employee contributions to the Retiree Health Care Authority.

The District does not offer a deferred compensation plan to its employees.

C. 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 \$1,000,000 for each wrongful act and \$1,050,000 for the policy aggregated. The District is required to obtain a corporate surety bond on behalf of persons responsible for District assets. The District currently maintains a \$250,000 surety bond as well as commercial property coverage. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

D. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

E. Joint Powers Agreements

Pecos River Salt Cedar Control Project

During the 2002-2004 sessions, the New Mexico State Legislature appropriated a total of \$3.9 million to the New Mexico Department of Agriculture to remove salt cedar from the Pecos River Basin. In 2004, another \$466,666 was appropriated to restore and revegetate the affected areas. As a result of these appropriations, the District entered into a joint powers agreement for this project. The terms of the agreement are summarized as follows:

Date of agreement:	June 24, 2002
Participants:	New Mexico Association of Conservation Districts and the Carlsbad, Chaves, Central Valley, Hagerman-Dexter, DeBaca, Penasco, Guadalupe, Upper Hondo, and Tierra Y Montes Soil and Water Conservation Districts
Responsible party for operations:	Carlsbad Soil and Water Conservation District
Description:	Pecos River Salt Cedar Control Project
Beginning and ending dates of agreement:	July 1, 2002 to June 30, 2005
Total estimated amount:	\$4,366,666
Amount expended to date:	\$3,920,862
Audit responsibility:	New Mexico State University, New Mexico Department of Agriculture
Fiscal agent:	Carlsbad Soil and Water Conservation District
The government agency where revenues and expenditures are reported:	New Mexico State University

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Canadian River Riparian Restoration Project

During the 2004 session, the New Mexico State Legislature appropriated \$4.8 million to the New Mexico Department of Agriculture to remove salt cedar and Russian Olive from the Rio Grande, Pecos and Canadian River Basins. As a result of this appropriation, a joint powers agreement was established for this project. The terms of the agreement are summarized as follows:

Date of agreement:	June 29, 2004
Participants:	New Mexico Association of Conservation Districts and the Canadian River, Colfax, Guadalupe, Mesa, Mora-Wagon Mound, Northeastern, Tierra Y Montes and Ute Creek Soil and Water Conservation Districts
Responsible party for operations:	Mesa Soil and Water Conservation District
Description:	Canadian River Riparian Restoration Project
Beginning and ending date of agreement:	July 1, 2004 to June 30, 2006
Total estimated amount:	\$1,433,333
Amount expended to date:	\$720,609
Audit responsibility:	New Mexico State University, New Mexico Department of Agriculture
Fiscal agent:	Mesa Soil and Water Conservation District
The government agency where revenues and expenditures are reported:	New Mexico State University

During the fiscal year ended June 30, 2005, the District received no funds pursuant to either of these joint powers agreements.



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

Ms. Rita Gallegos, Chair
and Members of the Board of Supervisors
Tierra Y Montes Soil and Water Conservation District
1926 Seventh Street
Las Vegas, New Mexico 87701

We have audited the accompanying financial statements of the governmental activities, each major fund and the respective budgetary comparisons of the Tierra y Montes Soil and Water Conservation District (District) as of and for the year ended June 30, 2005 and have issued our report dated March 24, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with

certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in finding 05-01.

This report is intended solely for the information and use of management, the New Mexico Office of the State Auditor, the New Mexico State University - Department of Agriculture, the state legislature and grantors and is not intended to be and should not be used by anyone other than these specified parties.

Office of the State Auditor

OFFICE OF THE STATE AUDITOR

March 24, 2006

STATE OF NEW MEXICO
TERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2005

STATUS OF PRIOR YEAR AUDIT FINDINGS

None

CURRENT YEAR AUDIT FINDINGS

**05-1. RETIREMENT OF CAPITAL ASSET NOT REPORTED TO THE STATE
AUDITOR'S OFFICE**

Condition

The District retired capital assets during FY 2004 that was not brought to the attention of the auditor. These assets had an original cost of \$9,286 and were fully depreciated as of the date of retirement. The retirement was documented by the Board and assets listed were donated to San Miguel Community Center. Written notification of the items disposed of was not sent the State Auditor thirty days prior to the disposition as required by state law.

Criteria

The Sale of Public Property statutes, Sections 13-6-1 and 13-6-2 NMSA 1978, states that thirty days prior to any disposition of property, written notification from the District to the State Auditor's Office is needed. Per NMAC 2.2.2.10 W., Disposition of Property, states that the District is required to sanitize all licensed software and any electronic media pertaining to disposition of assets. The District will certify in writing the proper erasure of the hard drive and submit the certification along with the modification of the proposed disposition of property to the State Auditor at least thirty days prior to taking action.

Effect

The District is in violation of 13-6-1, 13-6-2 NMAC 1978, Sale of Public Property statutes and 2.2.2. NMAC

Cause

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2005

The District was not aware they had to notify the State Auditor's Office of the retirement of capital assets.

Recommendation

The District should inform the State Auditor in writing of any disposal of capital assets. Also in the event that a planned computer is proposed for disposition, the District is required to "sanitize" all licensed software and any electronic media pertaining to the District.

District's Response

The District concurs with the finding.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

EXIT CONFERENCE
JUNE 30, 2005

Financial Statement Preparation

The accompanying financial statements were prepared by the Office of the State Auditor. However, the contents remain the responsibility of the District.

Exit Conference

On March 24, 2006, an exit conference was held at the District Office with Mr. Alvin Martinez, Vice-Chairperson and Ms. Carla Garduño, Administrative Assistant of the Tierra y Montes Soil and Water Conservation District. Representing the Office of the State Auditor was Gilbert Gurule, Auditor and Jessica Lucero, Senior Auditor. The contents of this audit report were discussed.