

STATE OF NEW MEXICO

TIERRA Y MONTES

SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2006

(With Independent Auditor's Report Thereon)

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

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JUNE 30, 2006

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

OFFICIAL ROSTER
JUNE 30, 2006

Board of Supervisors

Position

Alvin Martinez

Chairperson

Nancy Makowski

Vice-Chairperson

Napoleon Quintana

Secretary/Treasurer

Gabe Estrada

Supervisor

Rita Gallegos

Supervisor

District Personnel

Title

Frances Martinez

District Manager

Carla Garduño

Administrative Assistant



State of New Mexico
OFFICE OF THE STATE AUDITOR

Hector H. Balderas
State Auditor

Carla C. Martinez
Deputy State Auditor

INDEPENDENT AUDITOR'S REPORT

Mr. Alvin Martinez, 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, 2006 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 opinion.

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, 2006 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 8, 2009 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

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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.

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.

Office of State Auditor
OFFICE OF THE STATE AUDITOR
June 8, 2009

STATE OF NEW MEXICO
 TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF NET ASSETS
 JUNE 30, 2006

Exhibit 1

	Governmental Activities
Assets	
Cash	\$ 331,123
Investments - reserved	170,511
Property taxes receivable	4,254
Due from grantors - federal sources	82,735
Capital assets, net	164,867
Total assets	\$ 753,490
Liabilities	
Accounts payable	\$ 104,786
Accrued payroll	2,735
Noncurrent liabilities:	
Due within one year	33,199
Due in more than one year	190,912
Total liabilities	331,632
Net Assets	
Invested in capital assets, net of related debt	125,590
Restricted for conservation projects	82,735
Restricted for building construction	155,756
Restricted for debt service - building	14,755
Unrestricted	43,022
Total net assets	\$ 421,858

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, 2006

Exhibit 2

	Governmental Activities
Program Expenses:	
Conservation:	
Payroll and fringe benefits	\$ 79,198
Education/project materials	6,599
Vehicle/Chipper gas maint. expense	9,452
Bonding and insurance	9,902
Travel	5,889
Training	1,906
Office supplies and other	4,324
Telephone/internet expense	4,382
Meeting expense	2,388
Dues and subscriptions	2,630
Building rent	-
Projects	445,913
Materials and supplies	30,408
Depreciation	14,886
Interest and other financing charges	1,517
	619,394
Program Revenues:	
Federal operating grants and contracts	280,731
State operating grants and contracts	165,182
Charges for services-tree thinning	45,145
	491,058
Net program (expense) revenue	(128,336)
General Revenues:	
NMDA allotment	9,944
Property taxes	188,867
Interest and investment income	8,131
Reimbursements	4,401
Miscellaneous	6,073
	217,416
Change in net assets	89,080
Net assets at beginning of year	332,778
Net assets at end of year	\$ 421,858

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, 2006

Exhibit 3

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 331,123	\$ -	\$ 331,123
Investments - reserved	170,511	\$ -	170,511
Property taxes receivable	4,254	-	4,254
Other receivables	-	-	-
Due from grantors - federal sources	-	82,735	82,735
Due from grantors - state sources	-	-	-
Due from Special Revenue Fund	82,735	-	82,735
	<u>82,735</u>	<u>-</u>	<u>82,735</u>
Total assets	<u>\$ 588,623</u>	<u>\$ 82,735</u>	<u>\$ 671,358</u>
Liabilities and fund balance			
Liabilities:			
Accounts payable	\$ 104,786	\$ -	\$ 104,786
Accrued payroll	2,735	-	2,735
Due to General Fund	-	82,735	82,735
	<u>-</u>	<u>82,735</u>	<u>82,735</u>
Total liabilities	<u>107,521</u>	<u>82,735</u>	<u>190,256</u>
Fund balance:			
Unreserved, undesignated	227,856	-	227,856
Reserved for conservation projects	82,735	-	82,735
Reserved for building construction	155,756	-	155,756
Reserved for debt service - building	14,755	-	14,755
	<u>481,102</u>	<u>-</u>	<u>481,102</u>
Total fund balance	<u>481,102</u>	<u>-</u>	<u>481,102</u>
Total liabilities and fund balance	<u>\$ 588,623</u>	<u>\$ 82,735</u>	<u>\$ 671,358</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
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Amounts reported for governmental activities in the Statement of Net Assets are different from the way they are reported in the Balance Sheet - Governmental Funds as follows:

Fund Balance - Balance Sheet (Exhibit 3)	\$ 481,102
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	164,867
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Notes payable	(211,998)
Compensated absences	<u>(12,113)</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 421,858</u></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, 2006

Exhibit 4

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
State allocation	\$ 9,944	\$ -	\$ 9,944
Property taxes	188,867	-	188,867
Operating grants:			
Federal sources	-	280,731	280,731
State sources	-	165,182	165,182
Charges for services-tree thinning	45,145	-	45,145
City of Las Vegas reimbursement for ISC	4,401	-	4,401
Interest and investment income	2,457	-	2,457
Investment income	5,674	-	5,674
Equipment rental and other	6,073	-	6,073
Total revenues	262,561	445,913	708,474
Expenditures			
Conservation:			
Current:			
Advertising	344	-	344
Bonding/Insurance	9,902	-	9,902
Building rent (Carpet)	-	-	-
Dues and subscriptions	2,630	-	2,630
Education/project materials	6,599	-	6,599
Gross receipts tax	17	-	17
Meeting expense	2,388	-	2,388
Office supplies	2,680	-	2,680
Payroll and related expenses	77,983	-	77,983
Postage and delivery	820	-	820
Processing Center expenses (Kiln)	463	-	463
Telephone/internet expense	4,382	-	4,382
Trainings	1,906	-	1,906
Travel	5,889	-	5,889
Vehicle/Chipper gas maint. expense	9,452	-	9,452
Project Materials and Miscellaneous	30,408	-	30,408
Hazardous Mitigation - I	-	143,351	143,351
Hazardous Mitigation - II	-	23,602	23,602
Las Vegas Land Grant Project	-	39,275	39,275
USDA Forest Restoration	-	-	-
Sapello 319 projects	-	57,397	57,397
Pecos 319 WRAS Project	-	17,105	17,105
Water planning projects	-	13,598	13,598
NM Water Trust Projects	-	151,585	151,585
Capital outlay:			
Building	100,989	-	100,989
Vehicle	21,716	-	21,716
Debt Service:			
Principal payments	20,730	-	20,730
Interest	1,517	-	1,517
Total expenditures	300,815	445,913	746,728
Excess (deficiency) of revenues over expenditures	(38,254)	-	(38,254)
Other financing sources			
Loan proceeds - Finance Authority	207,590	-	207,590
Net change in fund balance	169,336	-	169,336
Fund balance beginning of year	311,766	-	311,766
Fund balance end of year	\$ 481,102	\$ -	\$ 481,102

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
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

RECONCILIATION OF THE STATEMENT OF ACTIVITIES TO THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES:

Net change in fund balance - Governmental Funds (Exhibit 4) \$ 169,336

Amounts reported in the Statement of Activities are different because:

In the Statement of Activities, compensated absences are measured by the amounts earned during the year. However, in the governmental funds, expenditures for these items are measured by the amount of financial resources used (actually paid). The increase for the liability not recorded in the balance sheet is: (1,215)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful life of the asset and reported as depreciation expense. The current year capital outlay and depreciation amounts are:

Capital outlay	122,705
Depreciation expense	(14,886)

Loan proceeds provide current financial resources to governmental funds, but incurring debt increases long-term liabilities in the statement of net assets. Repayment of principal on long-term debt (notes payable) is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which loan proceeds exceeded repayments in the current year: (186,860)

Change in net assets - Statement of Activities (Exhibit 2)	<u><u>\$ 89,080</u></u>
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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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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 required 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.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, the District does not have any 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.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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 to fully implement 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 was established by the District to account for the 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. Department of Agriculture (USDA) grants through the State Forestry Division of the NM Energy, Minerals and Natural Resources Department for the mitigation of fire hazards on lands adjacent to national forest land. The special revenue fund also accounts for grants from the State of New Mexico.

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, 2006

D. Assets, Liabilities, and Net Assets or 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.

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. Likewise, funds borrowed from the New Mexico Finance Authority are restricted for use in constructing a new building for the District and for establishing a debt-service account.

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

\$5,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized.

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,

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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

	General Fund	Special Revenue Fund
Non-GAAP revenues (Exhibit 5)	\$ 262,249	\$ 441,296
Prior year receivables	(3,942)	(78,118)
Current year receivables	4,254	82,735
GAAP revenues (Exhibit 4)	<u>\$ 262,561</u>	<u>\$ 445,913</u>
Non-GAAP expenditures (Exhibit 5)	\$ 224,167	\$ 441,296
Prior year payable	(25,351)	(78,118)
Prior year payroll accrual	(6,581)	
Prior year refund receivable	1,059	
Current year payables	104,786	82,735
Current year payroll accrual	2,735	
GAAP expenditures (Exhibit 4)	<u>\$ 300,815</u>	<u>\$ 445,913</u>

III. Detailed Notes on all Funds

A. Cash

As of June 30, 2006, the District had a carrying amount of deposits of \$331,123. The bank balances for deposits were \$338,251. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$7,128. The total bank balance of \$338,251 consisted of the following:

	The Bank Of <u>Las Vegas</u> Checking Account	First National Bank of <u>Las Vegas</u> Certificate of Deposit	State Employees Credit Union Money Market
Bank balance	\$ 237,789	\$ 13,503	\$ 86,959
Less: FDIC coverage	<u>(100,000)</u>	<u>(13,503)</u>	<u>(86,959)</u>
Amount uninsured	<u>\$ 137,789</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

50% collateral requirement	\$ 68,895
Pledged securities	<u>96,625</u>
Over (Under) Collateralized	<u>\$ 27,730</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.

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, 2006 \$137,789 of the government's bank balance of \$338,251 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 41,164
Uninsured and collateral held by pledging bank's agent not in the District’s name	<u>96,625</u>
Total	<u>\$137,789</u>

B. Investments

The District has implemented GASB Statement No. 31 “Accounting and Financial Reporting for Certain Investments”. This statement requires that certain investments as defined in GASB Statement 31 to be valued at fair value. Fair value of the investments is based on quoted market prices as of the valuation date and approximates their cost.

As of June 30, 2006, the District had a carrying amount of restricted investments of \$170,511:

	Bank of Albuquerque:	
	US Government Agency securities	<u>\$170,511</u>

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2006, the \$170,511 in restricted

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

investments is held by the investments' counterparty, not in the name of the District. The District has no policy with respect to how much of its investments may be held by a given counterparty.

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits the District's investments to bonds or negotiable securities of the United States, the State of New Mexico, or a county, municipality or school districts that meet certain criteria and securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States, or are backed by the full faith and credit of the United States government. The district has no investment policy that would further limit its investment choices. The Standard & Poor's and Moody's Investors Service ratings of the District's investments As of June 30, 2006 have not been determined.

Concentration of Credit Risk. The District places no limit on the amount the District may invest in any one issuer. All of the District's restricted investments are in U. S. Government agency securities. All of the restricted investments reported in the District's General Fund are in a fund that consists of U. S. Treasury Securities.

C. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

<u>Governmental Activities</u>	<u>Balance 06/30/05</u>	<u>Current Year</u>		<u>Balance 06/30/06</u>
		<u>Additions</u>	<u>Deletions</u>	
Assets not depreciated:				
Construction in progress	\$ -	\$ 100,989	\$ -	\$ 100,989
Assets being depreciated:				
Leasehold improvements	26,533	-	-	26,533
Vehicles	47,689	21,716	15,900	53,505
Farm equipment	88,393	-	-	88,393
Equipment	11,497	-	-	11,497
Total	174,112	21,716	15,900	179,928

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TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

<u>Governmental Activities</u>	<u>Balance 06/30/05</u>	<u>Current Year</u>		<u>Balance 06/30/06</u>
		<u>Additions</u>	<u>Deletions</u>	
Accumulated depreciation:				
Leasehold improvements	6,865	1,327	-	8,192
Vehicles	37,016	6,053	15,900	27,169
Farm equipment	64,963	6,206	-	71,170
Equipment	8,219	1,301	-	9,519
Total	<u>117,063</u>	<u>14,886</u>	<u>15,900</u>	<u>116,050</u>
Net book value	<u>\$ 57,049</u>	<u>\$ 107,818</u>	<u>\$ -</u>	<u>\$ 164,867</u>

The District's depreciation of \$14,886 is all charged to the conservation function.

D. Interfund Receivables and Payables

General fund receives special revenue fund revenues and pays expenses out of general fund cash accounts for special revenue fund. The interfund receivable and payable of \$82,735 between general fund and special revenue fund has been eliminated from the government-wide financial statements.

E. Long-Term Debt

Note Payable

In 1993, the District entered into a loan agreement with the New Mexico Interstate Stream Commission (NMISC). 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.

On September 23, 2005, the District entered into a loan agreement with the New Mexico Finance Authority (NMFA). The purpose of the loan is to construct a new building to store the District's equipment. The note was issued in the amount of \$207,590 and is payable in monthly installments which, over the life of the loan average \$1,216. The first payment was due in November 2005 and the final payment is due in April 2020. The combined interest and administrative fee

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TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
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payable to NMFA is computed at the rate of .383% per annum. The District has pledged to NMFA all of its revenues, including the property taxes imposed by the District pursuant to Section 73-20-46 NMSA 1978, as amended.

The debt service requirements to maturity at June 30, 2006, including interest of \$2,606 are as follows:

Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
NMISC:			
6/30/2007	\$ 8,378	\$ 424	\$ 8,802
6/30/2008	<u>8,587</u>	<u>215</u>	<u>8,802</u>
Total	<u>16,965</u>	<u>639</u>	<u>17,604</u>
NMFA:			
6/30/2007	12,708	217	12,925
6/30/2008	13,909	226	14,135
6/30/2009	13,955	214	14,169
6/30/2010	14,003	202	14,205
6/30/2011	14,051	188	14,239
2012-16	71,025	704	71,729
2017-20	<u>55,382</u>	<u>216</u>	<u>55,598</u>
Total	<u>195,033</u>	<u>1,967</u>	<u>197,000</u>
Total:			
6/30/2007	21,086	641	21,727
6/30/2008	22,496	441	22,937
6/30/2009	13,955	214	14,169
6/30/2010	14,003	202	14,205
6/30/2011	14,051	188	14,239
2012-16	71,025	704	71,729
2017-20	55,382	216	55,598
Total	<u>\$ 211,998</u>	<u>\$ 2,606</u>	<u>\$ 214,604</u>

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Changes in Long-term Liabilities

Long-term debt activity for the year ended June 30, 2006 was as follows:

	Balance <u>6/30/05</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/06</u>	Amount due within <u>one year</u>
Notes payable:					
NMISC	\$25,138	\$ -	\$ 8,173	\$ 16,965	\$ 8,378
NMFA		207,590	12,557	195,033	12,708
Total notes	<u>25,138</u>	<u>207,590</u>	<u>20,730</u>	<u>211,998</u>	<u>21,086</u>
Compensated absences:	10,899	8,577	7,363	12,113	12,113
Total comp. absences	<u>10,899</u>	<u>8,577</u>	<u>7,363</u>	<u>12,113</u>	<u>12,113</u>
Total long term debt	<u>\$36,037</u>	<u>\$216,167</u>	<u>\$ 28,093</u>	<u>\$224,111</u>	<u>\$ 33,199</u>

Compensated absences and notes payable are generally liquidated by the general fund.

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 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

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NOTES TO THE FINANCIAL STATEMENTS
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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, 2006, 2005, and 2004 are \$12,397, \$11,427, and \$10,462 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 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

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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, 2006, the District remitted \$469 in employer and \$235 in 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.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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. Commitments

The District entered into a contract on April 20, 2006 to build a new building to store equipment. The total amount of the contract is \$169,543. As of the balance sheet date, \$75,519 had been billed to the District. The accounts payable as of the balance sheet date include \$58,481 payable to the construction contractor. This amount is included in the \$75,519 billed to the District. The District has an outstanding commitment for the remaining \$94,024 to complete the building. Net assets in the amount of \$155,756 are restricted for payment of the remaining outstanding commitment for the building.

F. Joint Powers Agreements

Pecos River Salt Cedar Control Project

During the 2002 session, the New Mexico State Legislature appropriated \$2.5 million to the New Mexico Department of Agriculture to remove salt cedar from the Pecos River Basin. 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 24, 2002
Participants:	New Mexico Association of Conservation Districts and the Carlsbad, Chaves, Central Valley, Hagerman-Dexter, De Baca, 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

STATE OF NEW MEXICO
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

Beginning and ending Date of agreement:	Original agreement: July 1, 2002 to June 30, 2004 Extension of original agreement (with some revision): July 1, 2004 until the funding or resources cease.
Total estimated amount:	\$4,506,666
Amount expended to date:	\$4,356,168
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

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:	Canadian River Soil and Water Conservation District
Description:	Canadian River Riparian Restoration Project
Beginning date of agreement:	July 1, 2004. Ending date extended to June 30, 2006.
Total estimated amount:	\$2,067,646
Amount expended to date:	\$1,572,215
Audit responsibility:	New Mexico State University, New Mexico Department of Agriculture
Fiscal agent:	Canadian River 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, 2006

Hazardous Mitigation Projects

The District has entered into this Umbrella JPA with the New Mexico Energy, Minerals and Natural Resources Department (EMNR) for conducting wildland urban interface projects.

Date of agreement:	September 28, 2004
Participants:	State of New Mexico Energy Minerals and Natural Resources Department and Tierra y Montes Soil and Water Conservation District
Responsible party for operations:	Tierra y Montes Soil and Water Conservation District
Description:	Hazardous Mitigation Projects
Beginning and ending date of agreement:	Begin: September 28, 2004. There is no specific ending date.
Total estimated amount:	This is an umbrella JPA under which Tierra y Montes conducts wildland urban interface projects (such as tree thinning and defensible space) under agreements with the State Forestry Division of the Energy Minerals and Natural Resources Department. Funds are budgeted and accounted for by project.
Amount expended to date:	
Audit responsibility:	Tierra y Montes Soil and Water Conservation District
Fiscal agent:	Tierra y Montes Soil and Water Conservation District
The government agency where revenues and expenditures are reported:	Tierra y Montes Soil and Water Conservation District



State of New Mexico
OFFICE OF THE STATE AUDITOR

Hector H. Balderas
State Auditor

Carla C. Martinez
Deputy State Auditor

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*

Mr. Alvin Martinez, 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, 2006 and have issued our report dated June 8, 2009. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the New Mexico Office of the State Auditor, the Department of Finance and Administration-Local Government Division, 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

June 8, 2009

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2006

STATUS OF PRIOR YEAR AUDIT FINDINGS

05-1. Retirement of Capital Asset not Notified to the State Auditor's Office – Resolved.

CURRENT YEAR AUDIT FINDINGS

None

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

EXIT CONFERENCE
JUNE 30, 2006

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 June 8, 2009, an exit conference was held at the District Office with Ms. Rita Gallegos, Supervisor and Ms. Frances Martinez, District Manager of the Tierra y Montes Soil and Water Conservation District. Representing the Office of the State Auditor was John R. Earnshaw, CPA. Audit Manager. The contents of this audit report were discussed.