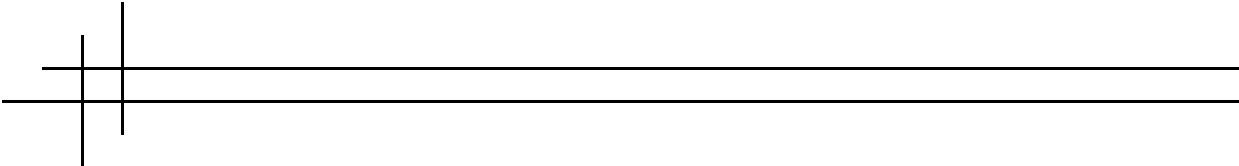


STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

ANNUAL FINANCIAL REPORT
June 30, 2007

De'Aun Willoughby CPA, PC
Certified Public Accountant
Melrose, New Mexico



STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
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STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Official Roster
June 30, 2007

BOARD OF SUPERVISORS

Nancy Makowski	Chairperson
Rita Gallegos	Vice-Chairperson
Napoleon Quintana	Secretary/Treasurer
Gabe Estrada	Supervisor
Alvin Martinez	Supervisor

DISTRICT PERSONNEL

Frances Martinez	Disrtict Manager
Carla Garduno	Administrative Assistant

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

Independent Auditor's Report

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board Supervisors of the TIERRA Y MONTES SOIL & WATER CONSERVATION DISTRICT

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the governmental activities, the general fund, and the respective budgetary comparison of the Tierra Y Montes Soil & Water Conservation District (District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic 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 an opinion 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 with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District as of June 30, 2007, and the respective changes in its financial position, and the respective budgetary comparison for the general fund 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 that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 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 and 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

De'Aun Willoughby CPA PC

November 12, 2009

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
 Government-Wide Statement of Net Assets
 June 30, 2007

ASSETS	
Current Assets	
Cash in Banks	\$ 324,005
Taxes	3,331
Due from Grantor	26,523
Total Current Assets	<u>353,859</u>
Noncurrent Assets	
Capital Assets	447,689
Less: Accumulated Depreciation	<u>(141,900)</u>
Total Noncurrent Assets	<u>305,789</u>
Total Assets	<u>659,648</u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	40,023
Accrued Payroll	2,718
Current Portion of Long-Term Debt	22,496
Total Current Liabilities	<u>65,237</u>
Long-Term Liabilities	
Loans	168,416
Compensated Absences	10,916
Total Long-Term Liabilities	<u>179,332</u>
Total Liabilities	<u>244,569</u>
Net Assets	
Invested in Capital Assets	114,877
Unrestricted	<u>300,202</u>
Total Net Assets	<u>\$ 415,079</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
 Government-Wide Statement of Activities
 For the Year Ended June 30, 2007

Program Expenses	
Conservation	\$ 393,898
Personnel Service	103,235
Operating Expenses	72,964
Interest Expense	1,090
Depreciation	25,850
Total Program Expenses	<u>597,037</u>
Program Revenues	
Operating Grant	<u>337,726</u>
Total Program Revenues	<u>337,726</u>
Net Program (Expense) Revenue	<u>(259,311)</u>
General Revenues	
Property Taxes	196,154
State Allocation	10,929
Interest Income	2,553
Other	42,896
	<u>252,532</u>
Change in Net Assets	(6,779)
Net Assets at Beginning of Year	<u>421,858</u>
Net Assets at End of Year	<u>\$ 415,079</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
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2007

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 324,005
Receivables	
Taxes	3,331
Due from Grantor	<u>26,523</u>
Total Assets	<u>\$ 353,859</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Current Liabilities	
Accounts Payable	\$ 40,023
Accrued Payroll	<u>2,718</u>
Total Liabilities	<u>42,741</u>
Fund Balances	
Unreserved Reported In:	
General Fund	<u>311,118</u>
Total Fund Balances	<u>311,118</u>
Total Liabilities and Fund Balances	<u>\$ 353,859</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 Governmental Funds
 Balance Sheet to the Statement of Net Assets
 June 30, 2007

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balance - Governmental Funds	\$	311,118
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
The cost of capital assets	\$	447,689
Accumulated depreciation is		<u>(141,900)</u>
		305,789
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
		(190,912)
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(10,916)</u>
Total net assets - governmental activities	\$	<u><u>415,079</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
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2007

	<u>General Fund</u>
Revenues	
Property Taxes	\$ 196,154
Interest Income	2,553
State Grants	276,345
Federal Grants	72,310
Miscellaneous	<u>42,896</u>
Total Revenues	<u>590,258</u>
Expenditures	
Current	
Advertising	320
Conservation	393,898
Dues	2,440
Equipment Expense	14,956
Insurance	8,225
Meetings	2,403
Miscellaneous	3,110
Office Expenses	3,422
Personnel Service	104,432
Processing Center	2,219
Project Materials	19,083
Training	5,000
Travel	7,640
Utilities	4,146
Capital Outlay	166,772
Debt Service	
Principal	21,086
Interest	<u>1,090</u>
Total Expenditures	<u>760,242</u>
Excess (Deficiency) of Revenues Over Expenditures	(169,984)
Fund Balances at Beginning of Year	<u>481,102</u>
Fund Balance End of Year	<u>\$ 311,118</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 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2007

Net Change in Fund Balance \$ (169,984)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (25,851)	
Capital Outlays	<u>166,772</u>	<u>140,921</u>

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 21,086

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 1,198

Changes in Net Assets of Governmental Activities \$ (6,779)

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

TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT

GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Cash Balance -General Fund

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 167,000	\$ 167,000	\$ 197,077	\$ 30,077
Interest Income	3,000	3,000	2,553	(447)
State Grants	661,079	661,079	332,557	(328,522)
Federal Grants	201,097	201,097	72,310	(128,787)
Miscellaneous	69,401	69,401	42,896	(26,505)
Total Revenues	<u>1,101,577</u>	<u>1,101,577</u>	<u>647,393</u>	<u>(427,679)</u>
Expenditures				
Advertising	700	700	320	380
Conservation	661,079	661,079	435,697	225,382
Dues	4,000	4,000	2,440	1,560
Equipment Expense	0	0	15,722	(15,722)
Insurance	10,000	10,000	8,225	1,775
Meetings	3,000	3,000	2,403	597
Miscellaneous	10,000	10,000	3,110	6,890
Office Expenses	5,000	5,000	3,398	1,602
Personnel Service	120,000	120,000	104,449	15,551
Processing Center	15,000	15,000	2,238	12,762
Project Materials	23,000	23,000	19,793	3,207
Training	5,000	5,000	5,000	0
Travel	8,000	8,000	7,641	359
Utilities	5,000	5,000	4,158	842
Capital Outlay	188,252	188,252	188,252	0
Debt Service				
Principal	21,086	21,086	21,086	0
Interest	1,090	1,090	1,090	0
Total Expenditures	<u>1,080,207</u>	<u>1,080,207</u>	<u>825,022</u>	<u>255,185</u>
Excess (Deficiency) of Revenues Over Expenditures	21,370	21,370	(177,629)	(198,999)
Beginning Cash Balance	<u>501,634</u>	<u>501,634</u>	<u>501,634</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 523,004</u>	<u>\$ 523,004</u>	<u>\$ 324,005</u>	<u>\$ (198,999)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (177,629)	
Net Change in Taxes Receivable			(923)	
Net Change in Due from Grantor			(56,212)	
Net Change in Accounts Payable			64,763	
Net Change in Accrued Payroll			17	
Net Change in Fund Balance			<u>\$ (169,984)</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
Notes to the Financial Statements
June 30, 2007

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. The Board of Supervisors has chosen to not appoint the two additional supervisors. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

The financial reporting entity as defined by GASB 14 consists of the primary government, organizations for which the primary government is financially accountable and other organizations whose exclusion from the financial reporting entity would cause the financial statements to be misleading.

A primary government is any state government or general-purpose local government and the organizations comprising its legal entity. Although the District is organized as a subdivision of the State and administratively attached to the New Mexico State University, Department of Agriculture, the statutory powers of the District establish it as a primary government with a separate corporate and legal identity. The District has no component units, financially dependent affiliates, nor is it legally liable for actions of other agencies.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). 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 non fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to 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 grants that are used for conservation expenses properly included among program revenues are reported instead as general revenues. Taxes and other items' not properly included among program revenues are reported instead as general revenues.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2007

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

The government-wide financial statement 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 at liability is incurred, as under accrual accounting. However, expenditures as well as expenditures related to claims and judgments, if any are recorded only when payment is due.

Interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds

The general fund is the District's primary operating fund. It accounts for all financial resources of the District.

Private-sector standards of accounting and financial reporting issued prior to November 30, 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. 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.

D. Assets, Liabilities, Net Assets and Fund Balance

Cash and Investments

The Districts cash and cash equivalents consists of demands and short term investments (certificates of deposit) with original maturities of six months or less 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.

Receivables and Payables

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2007

Property taxes attached 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.

Capital Assets

Capital assets, which include property, equipment (including software), farm equipment and furniture 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 \$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

Accounts payable

The account payable as of the balance sheet date includes routine monthly bills for services rendered and products purchased which are paid in the following month.

Compensated Absences

The District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave, since the government does not have a policy to pay 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 resignation and retirements. If the employee is terminated the accrued time is not paid out.

The District's policy states that employees accrue leave at 3.08 hours per pay period if the employee has less than three years of employment, increasing to 4 hours for less than seven years of employment, 5 hours for less than eleven years of employment, 6 hours for less than fifteen years of employment and 6.3 hours for more than fifteen years of employment. Employees may not carryover more than 240 hours forward from one calendar year to the next.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2007

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 four components — invested in capital assets, which is the cost of capital assets, net of accumulated depreciation, 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. There were no changes made to the budget during the fiscal year.

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

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2007

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

Reconciliations are located at the bottom of the general fund budget actual.

III. Detailed Notes on all Funds

A. Cash and Investments

The Bank of Las Vegas		Bank	
Account	Account	Balance	Reconciled
Name	Type	6/30/2007	Balance
Tierra Y Montes SWCD	Checking	\$ 214,845	\$ 206,807
	Total	214,845	\$ 206,807
	Less: FDIC coverage	(214,845)	
	Amount uninsured	\$ 0	

First National Bank Las Vegas		Bank	
Account	Account	Balance	Reconciled
Name	Type	6/30/2007	Balance
Tierra Y Montes SWCD	Savings	\$ 14,190	\$ 14,190
	Total	14,190	\$ 14,190
	Less: FDIC coverage	(14,190)	
	Amount uninsured	\$ 0	

State Employees Credit Union		Bank	
Account	Account	Balance	Reconciled
Name	Type	6/30/2007	Balance
Tierra Y Montes SWCD	Savings	\$ 50	\$ 50
		88,246	88,246
	Total	88,296	\$ 88,296
	Less: FDIC coverage	(88,296)	
	Amount uninsured	\$ 0	

Bank of Albuquerque		Bank	
Account	Account	Balance	Reconciled
Name	Type	6/30/2007	Balance
Tierra Y Montes SWCD		\$ 14,712	\$ 14,712
	Total	14,712	\$ 14,712
	Less: FDIC coverage	(14,712)	
	Amount uninsured	\$ 0	

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2007

Custodial Credit Risk — Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of the end of the fiscal year none of the Districts bank balances were exposed to custodial credit risk.

B. Capital Assets

	Beginning Balance 6/30/06	Additions	Deletions	Ending Balance 6/30/07
Capital Assets not being Depreciated				
Construction in Progress	\$ 100,989	\$ 144,355	\$ 245,344	\$ 0
Capital Assets, being Depreciated				
Buildings	0	245,344	0	245,344
Leasehold Improvements	26,533			26,533
Vehicles	53,505	22,417	0	75,922
Farm Equipment	88,393	0	0	88,393
Office Equipment	11,497	0	0	11,497
Total Capital Assets, being Depreciated	<u>179,928</u>	<u>267,761</u>	<u>0</u>	<u>447,689</u>
Less Accumulated Depreciation				
Buildings	0	5,336	0	5,336
Leasehold Improvements	8,192	1,327	0	9,519
Vehicles	27,169	12,708	0	39,877
Farm Equipment	71,170	5,492	0	76,662
Office Equipment	9,519	987	0	10,506
Total Accumulated Depreciation	<u>116,050</u>	<u>25,850</u>	<u>0</u>	<u>141,900</u>
	<u>\$ 164,867</u>	<u>\$ 386,266</u>	<u>\$ 245,344</u>	<u>\$ 305,789</u>

Depreciation expense was charged to the conservation function.

C. Long Term Debt

A summary of activity in the Long-Term Debt is as follows:

	Beginning Balance	Reductions	Ending Balance	Amounts Due Within One Year
Loans and Notes Payable	\$ <u>211,998</u>	\$ <u>21,086</u>	\$ <u>190,912</u>	\$ <u>22,496</u>
	Beginning Balance	Increases	Reductions	Ending Balance
Compensated Absences	\$ <u>12,113</u>	\$ <u>8,001</u>	\$ <u>9,198</u>	\$ <u>10,916</u>

Payments on the loans are made by the General Fund. The compensated absences liability are liquidated by the General Fund.

The District has entered into the following loans with the New Mexico Interstate Stream Commission and the New Mexico Finance Authority.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2007

Purpose	Original Amount	Interest Rate	Maturity Date	Balance
Clean sediment at the local dam \$	108,979	2.50%	4/30/2008	\$ 8,587
Construct a building \$	207,590	2.50%	4/1/2020	182,325
				<u>\$ 190,912</u>

The debt service requirements to maturity are as follows:

	Principal	Interest	Total
2008 \$	22,496 \$	897 \$	23,393
2009	15,121	685	15,806
2010	14,007	584	14,591
2011	14,056	535	14,591
2012	14,106	486	14,592
2013-2017	71,314	1,642	72,956
2018-2020	39,812	315	40,127
	<u>\$ 190,912 \$</u>	<u>5,144 \$</u>	<u>196,056</u>

IV. Other Information

A. Employee 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 for retirement benefits, disability benefits, 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 for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 13.15% of their gross salary. The District is required to contribute 9.15% for employees of the gross covered salary. The contribution requirements of plan members and the District are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the fiscal years ending June 30, 2007, 2006 and 2005 were \$12,737, \$12,397, and \$11,427, respectively, which equal the amount of the required contributions for each fiscal year.

B. Post Employment Benefits

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The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the 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 in the Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employers effective date and the date of retirement and the date of retirement;

(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 percent of each participating employee's annual salary. Each employee contributes to the fund an employee contribution in an amount equal to .65 percent of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employers NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

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 RHCA, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico

For the fiscal year ended June 30, 2007 the District remitted \$466 in employer and \$233 in employee contributions to the Retiree Health Care Authority.

GASB 43 and GASB 45 will have a material effect on the financial statements of the District as they become fully effective in 2007, 2008, 2009 and 2010.

C. Risk Management

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The District is exposed to various risks of loss due to torts, theft or damage of assets, errors and omissions and natural disasters. The District's supervisors and employees are covered by an errors and omissions liability policy purchased by the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,050,000 for each wrongful act and \$1,050,000 for the policy aggregated. The District is required to obtain a corporate fidelity bond on behalf of persons responsible for District assets. The District currently maintains a \$50,000 fidelity bond on its District Clerk and Director and Board of Supervisors. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

D. Contingent Liabilities

There are no known contingent liabilities and there are no provisions for contingencies in these financial statements.

E. Joint Powers Agreements

The District entered into a JPA with the NM Energy Minerals and Natural Resources Department on September 28, 2004 for conducting wildland urban interface projects. The fiscal agent is the District and the District has audit responsibility. The projects ended December 17, 2007 for a total cost of \$273,456.

The District entered into a JPA with the NM Energy Minerals and Natural Resources Department on November 11, 2005 for conducting wildland urban interface projects. The fiscal agent is the District and the District has audit responsibility. The estimated cost of the projects is \$235,000 and costs to date are \$186,879.

De'Aun Willoughby CPA, PC

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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. Hector Balderas
State Auditor of the State of New Mexico
Board Supervisors of the TIERRA Y MONTES SOIL & WATER CONSERVATION DISTRICT

Mr. Balderas and Members of the Board

We have audited the financial statements of the governmental activities, the general fund and the budgetary comparison of the Tierra Y Montes Soil & Water Conservation District, (District), as of and for the year ended June 30, 2007, and have issued our report thereon dated November 12, 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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing the auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting as item 07-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weakness. However, we believe that the significant deficiency described above is not a material weakness.

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.

The District's response to the finding in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the New Mexico State Legislature and its committees, the Office of the State Auditor, the New Mexico Department of Finance and Administration - Local Government and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

De'Ann Willoughby, CPA PC

November 12, 2009

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Schedule of Findings and Responses
June 30, 2007

Prior Year Audit Findings

There were no prior year audit findings.

Current Year Audit Findings

07-1 Late Audit Report

Condition

The audit report was filed after the due date. The report was submitted on 11/16/09 to the State Auditor's Office.

Criteria

According to the State Auditor Rule 2.2.2.9 (d), the audit report due date for the District is December 1.

Cause

The District did not contract with the auditor until after the due date of the audit report.

Effect

The users of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc., do not have timely audit reports and financial statements for their review. Late audit report could have an effect on state and federal funding.

Recommendation

The District should make every effort to hire an auditor and complete their audit timely.

Response

We will make an effort to solicit an auditor and complete our audit timely.

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference

An exit conference was held on November 12, 2009. Those present were Rita Gallegos-Vice-Chairperson, Frances Martinez-District Manager and De'Aun Willoughby, CPA.