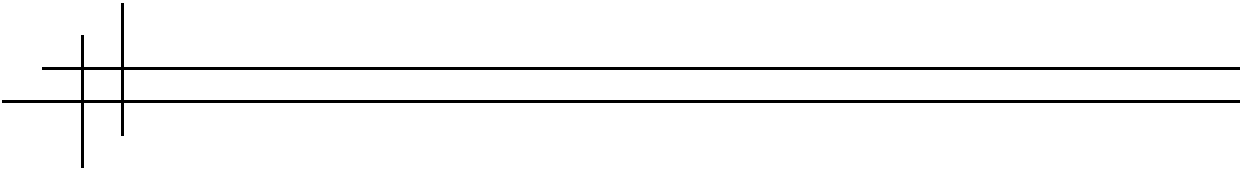


**STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT**

ANNUAL FINANCIAL REPORT
June 30, 2011

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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 For the Year Ended June 30, 2011

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STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Official Roster
June 30, 2011

BOARD OF SUPERVISORS

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

DISTRICT PERSONNEL

Frances Martinez	District 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, 2011, 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 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 the general fund of the District as of June 30, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2011 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 *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 that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

De'Aun Willoughby CPA PC

November 9, 2011

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
 Government-Wide Statement of Net Assets
 June 30, 2011

ASSETS	
Cash in Banks	\$ 779,048
Property Taxes	4,911
Due from Grantor	10,639
Restricted Cash	21,160
Capital Assets, net	249,599
Total Assets	<u><u>1,065,357</u></u>
 LIABILITIES AND NET ASSETS	
Accounts Payable	6,352
Accrued Payroll	7,257
Current Portion of Long-Term Debt	14,105
Compensated Absences	18,453
Loans Payable	111,144
Total Liabilities	<u><u>157,311</u></u>
 Net Assets	
Invested in Capital Assets net of Related Debt	124,350
Unrestricted	783,696
Total Net Assets	<u><u>\$ 908,046</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
 Government-Wide Statement of Activities
 For the Year Ended June 30, 2011

Program Expenses	
Conservation	\$ 323,684
Personnel Service	131,109
Operating Expenses	71,234
Interest Expense	548
Total Program Expenses	<u>526,575</u>
Program Revenues	
Operating Grants	<u>288,726</u>
Total Program Revenues	<u>288,726</u>
Net Program (Expense) Revenue	<u>(237,849)</u>
General Revenues	
Property Taxes	406,675
Interest Income	1,993
Other	7,574
Total General Revenues	<u>416,242</u>
Change in Net Assets	178,393
Net Assets at Beginning of Year	<u>729,653</u>
Net Assets at End of Year	<u>\$ 908,046</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, 2011

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 779,048
Receivables	
Property Taxes	4,911
Due from Grantor	10,639
Restricted Cash	21,160
Total Assets	<u>\$ 815,758</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Current Liabilities	
Accounts Payable	\$ 6,352
Accrued Payroll	7,257
Total Liabilities	<u>13,609</u>
Fund Balances	
Unassigned, reported in:	
General Fund	<u>802,149</u>
Total Fund Balances	<u>802,149</u>
Total Liabilities and Fund Balances	<u>\$ 815,758</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, 2011

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

Total Fund Balance - Governmental Funds		\$	802,149
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.			
	The cost of capital assets	\$	470,879
	Accumulated depreciation		<u>(221,280)</u>
			249,599
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental fund.			
			(125,249)
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 fund.			
			<u>(18,453)</u>
Total net assets - governmental activities		\$	<u><u>908,046</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, 2011

	General Fund
Revenues	
Property Taxes	\$ 406,675
State Allocation	9,436
State Grants	218,385
Federal Grants	60,905
Interest Income	1,993
Miscellaneous	7,574
Total Revenues	<u>704,968</u>
Expenditures	
Current	
Conservation	300,700
Advertising	570
Audit	4,500
Dues	3,628
Equipment Expense	24,768
Insurance	9,572
Miscellaneous	2,160
Office Expenses	2,223
Personnel Service	127,653
Postage & Delivery	596
Processing Center	2,656
Training	6,648
Travel	8,784
Utilities	5,129
Debt Service	
Principal	14,043
Interest	548
Total Expenditures	<u>514,178</u>
Excess (Deficiency) of Revenues Over Expenditures	190,790
Fund Balance at Beginning of Year	<u>611,359</u>
Fund Balance End of Year	<u>\$ 802,149</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, 2011

Net Change in Fund Balance \$ 190,790

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	\$	(22,985)	
Capital Outlays		<u>0</u>	<u>(22,985)</u>

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 14,043

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.

Compensated Absences June 30, 2010		14,998	
Compensated Absences June 30, 2011		<u>(18,453)</u>	<u>(3,455)</u>

Changes in Net Assets of Governmental Activities \$ 178,393

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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 370,000	\$ 370,000	\$ 406,860	\$ 36,860
State Appropriation	11,000	11,000	9,436	(1,564)
State Grants	375,505	375,505	215,463	(160,042)
Federal Grants	78,434	78,434	53,188	(25,246)
Interest Income	2,500	2,500	1,993	(507)
Miscellaneous	21,900	21,900	7,574	(14,326)
Total Revenues	859,339	859,339	694,514	(149,992)
Expenditures				
Conservation	453,939	453,939	295,627	158,312
Advertising	3,000	3,000	570	2,430
Audit	4,500	4,500	4,500	0
Dues	9,000	9,000	3,628	5,372
Equipment Expense	54,000	54,000	24,919	29,081
Insurance	14,000	14,000	9,572	4,428
Meetings	1,900	1,900	0	1,900
Miscellaneous	30,000	30,000	2,160	27,840
Office Expenses	4,500	4,500	2,223	2,277
Building Maintenance	3,000	3,000	0	3,000
Personnel Service	207,800	207,800	139,754	68,046
Postage & Delivery	2,000	2,000	596	1,404
Processing Center	12,000	12,000	2,652	9,348
Training	8,000	8,000	5,043	2,957
Travel	9,000	9,000	6,648	2,352
Utilities	7,000	7,000	8,209	(1,209)
Debt Service				
Principal	17,000	17,000	14,043	2,957
Interest	0	0	548	(548)
Total Expenditures	840,639	840,639	520,692	319,947
Excess (Deficiency) of Revenues Over Expenditures	18,700	18,700	173,822	155,122
Beginning Cash Balance	626,386	626,386	626,386	0
Cash Balance End of Year	\$ 645,086	\$ 645,086	\$ 800,208	\$ 155,122

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, 2011

Reconciliation of Budgetary Basis to GAAP Basis

Excess (Deficiency) of Revenues Over Expenditures-Cash Basis	\$	173,822
Net Change in Taxes Receivable		(184)
Net Change in Due from Grantor		10,639
Net Change in Accounts Payable		9,311
Net Change in Accrued Payroll		<u>(2,798)</u>
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis	\$	<u><u>190,790</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
Notes to the Financial Statements
June 30, 2011

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.

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.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2011

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, 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.

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 District's 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

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.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2011

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.

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, net of related debt which is the cost of capital assets, net of accumulated depreciation and the related debt to finance the capital assets 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.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2011

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.

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).

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. Deposits and Investments

The Bank of Las Vegas

Account Name	Account Type	Bank Balance 6/30/2011	Reconciled Balance
Tierra Y Montes SWCD	Checking	\$ 581,880	\$ 572,821
	Total	581,880	572,821
	Less: FDIC coverage	(250,000)	
	Uninsured Amount	331,880	
	50% collateral requirement	165,940	
	Pledge securities	135,000	
	Amount uninsured	\$ (30,940)	

The following securities are pledged at The Bank of Las Vegas:

Description	CUSIP #	Par/Market Value	Maturity Date
LV NM SD#2	51778FCE7	\$ 100,000	11/1/2015
LV NM SD#2	51778FAS8	35,000	8/1/2012
		<u>135,000</u>	

The Pledged securities were held at: FHLB located in Dallas, TX

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2011

First National Bank Las Vegas Account Name	Account Type	Bank Balance 6/30/2011	Reconciled Balance
Tierra Y Montes SWCD	Savings	\$ 15,421	\$ 15,421
	Total	15,421	\$ 15,421
	Less: FDIC coverage	(15,421)	
	Amount uninsured	\$ 0	

State Employees Credit Union Account Name	Account Type	Bank Balance 6/30/2011	Reconciled Balance
Tierra Y Montes SWCD	Savings	\$ 190,806	\$ 190,806
	Total	190,806	\$ 190,806
	Less: FDIC coverage	(190,806)	
	Amount uninsured	\$ 0	

The cash held at the Bank of Albuquerque is restricted for debt service.

Bank of Albuquerque Account Name	Account Type	Bank Balance 6/30/2011	Reconciled Balance
Tierra Y Montes SWCD	Savings	\$ 6,570	\$ 6,570
Tierra Y Montes SWCD	Savings	\$ 14,590	14,590
	Total	21,160	\$ 21,160
	Less: FDIC coverage	(21,160)	
	Amount uninsured	\$ 0	

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

Custodial Credit Risk-Deposits

Depository Account	Bank Balance
Insured	\$ 477,387
Collateralized:	
Collateral held by the pledging bank in Village's name	135,000
Uninsured and uncollateralized	196,880
Total Deposits	\$ 809,267

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 \$196,880 of the Districts bank balances of \$809,267 were exposed to custodial credit risk.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2011

B. Capital Assets

	Beginning Balance <u>6/30/10</u>	Additions	Deletions	Ending Balance <u>6/30/11</u>
Capital Assets not being Depreciated				
Construction in Progress	\$ 0	\$ 0	\$ 0	\$ 0
Capital Assets, being Depreciated				
Buildings	245,344	0	0	245,344
Leasehold Improvements	26,533	0	0	26,533
Vehicles	86,612	0	0	86,612
Farm Equipment	100,893	0	0	100,893
Office Equipment	11,497	0	0	11,497
Total Capital Assets, being Depreciated	<u>470,879</u>	<u>0</u>	<u>0</u>	<u>470,879</u>
Less Accumulated Depreciation				
Buildings	21,344	5,336	0	26,680
Leasehold Improvements	13,500	1,327	0	14,827
Vehicles	66,114	13,770	0	79,884
Farm Equipment	85,840	2,552	0	88,392
Office Equipment	11,497	0	0	11,497
Total Accumulated Depreciation	<u>198,295</u>	<u>22,985</u>	<u>0</u>	<u>221,280</u>
	<u>\$ 272,584</u>	<u>\$ (22,985)</u>	<u>\$ 0</u>	<u>\$ 249,599</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 <u>6/30/10</u>	Reductions	Ending Balance <u>6/30/11</u>	Amounts Due Within One Year
Loans and Notes Payable	\$ <u>139,292</u>	\$ <u>14,043</u>	\$ <u>125,249</u>	\$ <u>14,106</u>
	Beginning Balance <u>6/30/10</u>	Increases	Reductions	Ending Balance <u>6/30/11</u>
Compensated Absences	\$ <u>14,997</u>	\$ <u>11,640</u>	\$ <u>8,184</u>	\$ <u>18,453</u>

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

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2011

The District has entered into the following loan with the New Mexico Finance Authority.

Purpose	Original Amount	Interest Rate	Maturity Date	Balance
Construct a building	\$ 207,590	2.50%	4/1/2020	125,249
				\$ 125,249

The debt service requirements to maturity are as follows:

	Principal	Interest	Total
2012	14,106	486	14,592
2013	14,156	435	14,591
2014	14,208	383	14,591
2015	14,261	330	14,591
2016	14,316	275	14,591
2017-2020	54,202	535	54,737
	\$ 125,249	\$ 2,444	\$ 127,693

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, 2011, 2010 and 2009 were \$38,915, \$33,851 and \$34,687, respectively, which equal the amount of the required contributions for each fiscal year.

B. Post Employment Benefits

The District contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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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 RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

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.

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, Albuquerque State Government Center, 401 Roma, NW, Suite 200, Albuquerque, New Mexico 87102.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
2012	1.834%	0.917%
2013	2.000%	1.000%

Also, employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The District's contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$4,192, \$819 and \$781, respectively, which equal the required contributions for each year.

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 \$1,050,000 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 \$10,000 fidelity bond on its District Clerk and 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 July 28, 2009 called Hazardous Mitigation/NM State Land Project. The estimated cost is \$255,000. Expenditures to date were \$243,764. The District is the fiscal agent and has audit responsibility.

The District entered into a JPA with the NM Energy Minerals and Natural Resources Department on February 16, 2009 called Noxious Weed III/NM State Land Project. The estimated cost is \$28,900. Expenditures to date were \$23,147. The District is the fiscal agent and has audit responsibility.

The District entered into a JPA with the NM Energy Minerals and Natural Resources Department on May 20, 2010 called Noxious Weed IV/NM State Land Project. The estimated cost is \$25,778. Expenditures to date were \$4,563. The District is the fiscal agent and has audit responsibility.

The District entered into a JPA with the U.S. Fish & Wildlife Services on April 14, 2009 for wildlife refuge. The estimated cost is \$23,100. Expenditures to date were \$2,514. The District is the fiscal agent and has audit responsibility.

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, 2011, and have issued our report thereon dated November 9, 2011. 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 as a basis for designing the auditing procedures for the purpose of expressing our 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting; 11-1 and 11-2. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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* and which is described in the accompanying schedule of findings and responses as items 11-1 and 11-2.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. 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 9, 2011

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Schedule of Findings and Responses
June 30, 2011

Prior Year Audit Findings	<u>Status</u>
10-1 Noncompliance with RHCA requirements	Resolved

Current Year Audit Findings

11-1 W-2-Compliance and Internal Control-Significant Deficiency

Condition

The District hired an student for summer help and treated them as contract labor for the calendar year 2008.

Criteria

IRS Form W-2 instructions states that funds paid to a "summer job" are taxable income and identical to wages for any individual working at a part-time or full-time position. The wages are earned income for both federal income tax and social security and may result in the student having to file a tax return.

Cause

The District did not realize they were to treat summer help as an employee instead of contract labor.

Effect

The District had to re-classify the student as an employee and pay payroll taxes of \$ 576.72.

Recommendation

We recommend that in the future the District hires a student for summer help they are to treat them as an employee unless the student is performing the same services elsewhere which then and only then can the District treat them as contract labor.

Response

We will be going through the college summer program in the future.

11-2 Lack of Pledged Securities-Compliance and Internal Control-Significant Deficiency

Condition

The Bank of Las Vegas has not pledged the correct collateral that is required to the District.

Criteria

Pursuant to Section 6-10-16, NMSA 1978 and Section 6-10-17, NMSA 1978 securities with an aggregate value equal to one-half the amount of public money deposited shall be provided by the depository.

Cause

The bank told the District that they were not on their list of public entities that helps them keep track of pledged securities and that it is the Districts responsibility to contact the bank and request to up the securities.

Effect

Under collateralization results in lack of guarantee of the District's money in case of bank failure.

Recommendation

We recommend that the District request to be put on the public list, since the District does have public monies assuring the bank will pledge securities within legal requirements.

Response

We have already contacted the bank and have requested to be put on the public list. If the bank can not do this for us we will consider changing banks.

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 9, 2011. Those present were Napoleon Quintana-Chairperson, Carla Garduno-Administrative Assistant, Frances Martinez-District Manager and De'Aun Willoughby, CPA.