



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

ANNUAL FINANCIAL REPORT
June 30, 2013

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



STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
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 For the Year Ended June 30, 2013

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STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Official Roster
June 30, 2013

BOARD OF SUPERVISORS

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

DISTRICT PERSONNEL

Frances Martinez	District Manager
Carla Garduno	Administrative Assistant

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board of Supervisors and District Personnel

Mr. Balderas and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, and the budgetary comparison of Tierra Y Montes Soil & Water Conservation District (District), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2013, on our consideration of the District's internal control over financial reporting and on 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* in considering the District's internal control over financial reporting and compliance.



Clovis, New Mexico
October 17, 2013

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
 Government-Wide Statement of Net Position
 June 30, 2013

ASSETS	
Cash in Banks	\$ 1,154,424
Property Taxes	7,690
Due from Grantor	33,852
Restricted Cash	20,062
Capital Assets, net	261,339
Total Assets	<u>1,477,367</u>
LIABILITIES AND NET POSITION	
Accounts Payable	43,033
Accrued Payroll	5,550
Current Portion of Long-Term Debt	14,208
Compensated Absences	15,523
Loans Payable	82,792
Total Liabilities	<u>161,106</u>
Net Position	
Net Investment in Capital Assets	164,339
Unrestricted	1,151,922
Total Net Position	<u>\$ 1,316,261</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, 2013

Program Expenses	
Conservation	\$ 404,746
Personnel Service	145,123
Operating Expenses	61,991
Interest Expense	448
Total Program Expenses	<u>612,308</u>
Program Revenues	
Operating Grants	<u>371,668</u>
Total Program Revenues	<u>371,668</u>
Net Program (Expense) Revenue	<u>(240,640)</u>
General Revenues	
Property Taxes	440,475
Interest Income	1,675
Other	7,920
Total General Revenues	<u>450,070</u>
Change in Net Position	<u>209,430</u>
Net Position at Beginning of Year	1,094,331
Restatement	12,500
Restated Beginning Net Position	<u>1,106,831</u>
Net Position at End of Year	<u>\$ 1,316,261</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, 2013

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,154,424
Receivables	
Property Taxes	7,690
Due from Grantor	33,852
Restricted Cash	20,062
Total Assets	<u>\$ 1,216,028</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Current Liabilities	
Accounts Payable	\$ 43,033
Accrued Payroll	5,550
Total Liabilities	<u>48,583</u>
Fund Balances	
Unassigned, reported in:	
General Fund	<u>1,167,445</u>
Total Fund Balances	<u>1,167,445</u>
Total Liabilities and Fund Balances	<u>\$ 1,216,028</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, 2013

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

Total Fund Balance - Governmental Funds		\$	1,167,445
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	\$	522,974
	Accumulated depreciation		<u>(261,635)</u>
			261,339
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.			
			(97,000)
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>(15,523)</u>
Total net assets - governmental activities		\$	<u><u>1,316,261</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, 2013

	General Fund
Revenues	
Property Taxes	\$ 440,475
State Allocation	12,990
State Grants	281,342
Federal Grants	77,336
Interest Income	1,675
Miscellaneous	7,920
Total Revenues	<u>821,738</u>
Expenditures	
Current	
Conservation	383,526
Advertising	890
Audit	5,099
Dues and Subscriptions	1,240
Equipment Expense	11,855
Insurance	7,639
Meeting	2,109
Miscellaneous	1,175
Office Expenses	2,198
Personnel Service	142,950
Postage & Delivery	318
Processing Center	1,414
Project Materials	12,967
Training	3,973
Travel	6,910
Utilities	4,204
Capital Outlay	39,595
Debt Service	
Principal	14,143
Interest	448
Total Expenditures	<u>642,653</u>
Excess (Deficiency) of Revenues Over Expenditures	179,085
Fund Balance at Beginning of Year	<u>988,360</u>
Fund Balance End of Year	<u>\$ 1,167,445</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, 2013

Net Change in Fund Balance \$ 179,085

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	\$	(21,220)	
Capital Outlays		<u>39,595</u>	<u>18,375</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. 14,143

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, 2012		13,350	
Compensated Absences June 30, 2013		<u>(15,523)</u>	<u>(2,173)</u>

Changes in Net Assets of Governmental Activities \$ 209,430

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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 530,000	\$ 530,000	\$ 438,927	\$ (91,073)
State Appropriation	12,000	12,000	12,990	990
State Grants	732,339	732,339	318,525	(413,814)
Federal Grants	100,897	100,897	58,505	(42,392)
Interest Income	1,628	1,628	1,675	47
Miscellaneous	17,901	17,901	7,920	(9,981)
Total Revenues	1,394,765	1,394,765	838,542	(546,289)
Expenditures				
Conservation	933,236	933,236	354,773	578,463
Advertising	2,000	2,000	890	1,110
Audit	5,500	5,500	5,099	401
Dues	5,000	5,000	1,240	3,760
Equipment Expense	25,000	25,000	11,102	13,898
Insurance	14,000	14,000	7,639	6,361
Meetings	2,901	2,901	2,109	792
Miscellaneous	15,000	15,000	1,175	13,825
Office Expenses	6,000	6,000	2,246	3,754
Building Maintenance	3,000	3,000	0	3,000
Personnel Service	290,000	290,000	142,789	147,211
Postage & Delivery	2,000	2,000	315	1,685
Processing Center	6,000	6,000	1,414	4,586
Project Materials	21,500	21,500	12,841	8,659
Training	9,000	9,000	3,973	5,027
Travel	10,000	10,000	9,133	867
Utilities	5,000	5,000	4,167	833
Capital Outlay	0	0	39,595	(39,595)
Debt Service				
Principal	14,143	14,143	14,143	0
Interest	2,857	2,857	448	2,409
Total Expenditures	1,372,137	1,372,137	615,091	757,046
Excess (Deficiency) of Revenues Over Expenditures	22,628	22,628	223,451	200,823
Beginning Cash Balance	951,035	951,035	951,035	0
Cash Balance End of Year	\$ 973,663	\$ 973,663	\$ 1,174,486	\$ 200,823

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, 2013

Reconciliation of Budgetary Basis to GAAP Basis

Excess (Deficiency) of Revenues Over Expenditures-Cash Basis	\$	223,451
Net Change in Taxes Receivable		1,548
Net Change in Due from Grantor		(18,352)
Net Change in Accounts Payable		(27,400)
Net Change in Accrued Payroll		(162)
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis	\$	<u>179,085</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, 2013

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 are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements identify the functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Cooperative include direct instruction, instructional support, administrative, operation of plant, business support services, and community services. The government-wide financial statements can be found on pages eleven and thirteen of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into governmental funds.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2013

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spend-able resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Cooperative's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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 30 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.

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

In the government-wide Statement of Net Assets, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirement of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include: 1) charges for services to users who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, grants for conservation as well as others., and 3) program specific capital grants and contributions.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2013

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 Position 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.

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.

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2013

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 Position and Fund Balance

The difference between the District's assets and liabilities is its net position. The District's net position 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.
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).

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2013

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

Southwest Capital Bank		Bank	
Account	Account	Balance	Reconciled
Name	Type	06/30/2013	Balance
Tierra Y Montes SWCD	Interest-Checking	\$ 806,655	\$ 797,867
	Total	806,655	<u>797,867</u>
	Less: FDIC coverage	(250,000)	
	Uninsured Amount	556,655	
	50% collateral requirement	278,328	
	Pledge securities	300,000	
	Over (Under) Secured	<u>\$ 21,673</u>	

The following securities are pledged at Southwest Capital Bank:

Description	CUSIP #	Par/Market Value	Maturity Date
LV NM SD#2	51778FCE7	\$ 300,000	11/1/2015

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

First Community Bank Las Vegas		Bank	
Account	Account	Balance	Reconciled
Name	Type	06/30/2013	Balance
Tierra Y Montes SWCD	Interest-Savings	\$ 15,500	\$ 15,500
	Total	15,500	<u>15,500</u>
	Less: FDIC coverage	(15,500)	
	Amount uninsured	<u>\$ 0</u>	

State Employees Credit Union		Bank	
Account	Account	Balance	Reconciled
Name	Type	06/30/2013	Balance
Tierra Y Montes SWCD	Savings	\$ 341,057	\$ 341,057
	Total	341,057	<u>341,057</u>
	Less: SMSIA coverage	(250,000)	
	Over (Under) Secured	<u>\$ (91,057)</u>	

The cash held at Wells Fargo for NMFA is restricted for debt service.

Wells Fargo		Bank	
Account	Account	Balance	Reconciled
Name	Type	06/30/2013	Balance
Tierra Y Montes SWCD	Interest-Savings	\$ 5,435	\$ 5,435
Tierra Y Montes SWCD	Interest-Savings	\$ 14,627	\$ 14,627
	Total	20,062	<u>20,062</u>
	Less: FDIC coverage	(20,062)	
	Amount uninsured	<u>\$ 0</u>	

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, 2013

Custodial Credit Risk-Deposits

Depository Account	Bank Balance
Insured	\$ 535,562
Collateralized:	
Collateral held by the pledging bank in District's name	300,000
Uninsured and uncollateralized	347,712
Total Deposits	\$ 1,183,274

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.

B. Capital Assets

	Beginning Balance 6/30/12	Additions	Prior Period Adjustments	Ending Balance 6/30/13
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	12,500	99,112
Farm Equipment	100,893	39,595	0	140,488
Office Equipment	11,497	0	0	11,497
Total Capital Assets, being Depreciated	470,879	39,595	12,500	522,974
Less Accumulated Depreciation				
Buildings	32,016	5,336	0	37,352
Leasehold Improvements	16,154	1,327	0	17,481
Vehicles	86,999	7,115	0	94,114
Farm Equipment	93,749	7,442	0	101,191
Office Equipment	11,497	0	0	11,497
Total Accumulated Depreciation	240,415	21,220	0	261,635
	\$ 230,464	\$ 18,375	\$ 12,500	\$ 261,339

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 6/30/12	Reductions	Ending Balance 6/30/13	Amounts Due Within One Year
Loans and Notes Payable	\$ 111,143	\$ 14,143	\$ 97,000	\$ 14,208
	Beginning Balance 6/30/12	Increases	Reductions	Ending Balance 6/30/13
Compensated Absences	\$ 13,350	\$ 9,279	\$ 7,106	\$ 15,523

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

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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%	04/01/2020	97,000
				\$ 97,000

The debt service requirements to maturity are as follows:

	Principal	Interest	Total
2014	14,208	383	14,591
2015	14,261	330	14,591
2016	14,316	275	14,591
2017	14,372	220	14,592
2018	14,428	163	14,591
2019-2020	25,415	152	25,567
	\$ 97,000	\$ 1,523	\$ 98,523

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% 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, 2013, 2012 and 2011 were \$29,823 \$36,661, and \$38,915, respectively, which equal the amount of the required contributions for each fiscal year.

B. Post Employment Benefits

Plan Description. 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.

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.

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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.

Funding Policy. 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 employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act. The District is not a member of the enhanced retirement plan.

The District's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$4,012, \$4,769 and \$4,192, 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.

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Notes to the Financial Statements
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E. Joint Powers Agreements

The District entered into a JPA with the NM Energy Minerals and Natural Resources Department, Forestry Division on February 24, 2011 and modified September 26, 2012 called San Miguel and Mora WUI and Woody Biomass Utilization. The estimated cost is \$300,000. Expenditures to date were \$52,058. 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, Forestry Division on April 18, 2011 called San Miguel County Wildlife Urban Interface (WUI) Project 2011. The estimated cost is \$270,000. Expenditures to date were \$186,420. 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, Forestry Division on February 8, 2012 called Noxious Weed Project VI. The estimated cost is \$50,700. Expenditures to date were \$20,566. The District is the fiscal agent and has audit responsibility.

The District entered into a JPA with the U.S. Fish & Wildlife Services on May 23, 2012 for wildlife refuge. The estimated cost is \$83,600. Expenditures to date were \$68,941. 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, Forestry Division on September 21, 2012 called the 2012 San Miguel County WUI Project, Hazard VII. The estimated cost is \$170,586.50. Expenditures to date were \$20,504. 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, Forestry Division on January 17, 2013 called the Urban Forestry Program. The estimated cost is \$25,000. Expenditures to date were \$25,000. 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, Forestry Division on May 17, 2013 called the Forest Worker Safety Certification Program. The estimated cost is \$24,900. Expenditures to date were \$0. The District is the fiscal agent and has audit responsibility.

F. Prior Period Adjustments

Net Assets were restated by \$12,500 for two asset purchases made in the fiscal year 2010 that were not included in the list of capital assets.

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*

Independent Auditor's Report

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board of Supervisors and District Personnel

Mr. Balderas and Members of the Board

We have audited, in accordance with the 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, the financial statements of the governmental activities, the general fund and the budgetary comparison of Tierra Y Montes Soil & Water Conservation District (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. 11-2

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 11-2.

The District's Responses to Findings

The District's responses to the findings identified in our audit as described in the accompanying schedule of findings and responses. Responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 CPA PC

Clovis, New Mexico
October 17, 2013

STATE OF NEW MEXICO
TIERRA Y MONTES SOIL AND WATER CONSERVATION DISTRICT
Schedule of Findings and Responses
June 30, 2013

Prior Year Audit Findings
11-2 Lack of Pledged Securities

Status
Repeated

Current Year Audit Findings

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

The State Employees Credit Union has not pledged securities for the public monies held by the institution over the insured amount. The securities required should have been \$64,632.

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 Credit Union was unable to provide pledged securities.

Effect

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

Recommendation

We recommend that the District remove funds greater than the insured amount of \$250,000 and deposit it with another local bank.

Response

The excess money was removed in July, 2013.

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 October 17, 2013. Those present were Gabe Estrada-Supervisor, Rita Gallegos-Secretary/Treasurer, Frances Martinez-District Manager and De'Aun Willoughby, CPA.