

**State of New Mexico
Claunch-Pinto Soil and Water
Conservation District
Audited Financial Statements
June 30, 2012**

Dan Austin CPA, PC
700 Mechem Drive Ste 15
Ruidoso, NM 88345

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Table of Contents
June 30, 2012

Table of Contents	1
Introductory Section	2
Official Roster	3
Financial Section	4
Independent Auditor's Report	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Balance Sheet – Governmental Funds	8
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds to the Statement of Activities	11
Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	12
Notes to the Financial Statements	13
Supplemental Information	24
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25
Schedule of Audit Findings, Recommendations, Responses, and Other Disclosures	27

Introductory Section

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
June 30, 2012

<u>Board of Supervisors</u>	<u>Position</u>
Felipe Lovato	Chairman
William Caster	Vice-Chairperson
Richard Shovelin	Secretary/Treasurer
J. Brian Greene	Supervisor
LeRoy Candelaria	Supervisor
Jerry Melaragno	Supervisor
Dan Williams	Supervisor
<u>District Personnel</u>	<u>Title</u>
Dierdre Tarr	District Manager

Financial Section

Dan Austin CPA, PC
700 Mechem Drive Ste 15
Ruidoso, NM 88345

Independent Auditor's Report

Hector H. Balderas, New Mexico State Auditor
Chairman and Members of the Board of Supervisors
Claunch-Pinto Soil and Water Conservation District
P.O. Box 129
Mountainair, New Mexico 87036

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Claunch-Pinto Soil and Water Conservation District(District) as of and for the year ended June 30, 2012, 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 opinions on these financial statements based on our audit.

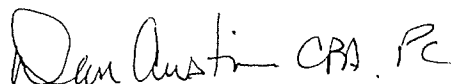
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District as of June 30, 2012, and the respective changes in financial position, thereof and the 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 December 7, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The District has omitted the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is required to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part 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.

Our audit was performed for the purpose of forming opinions on the basic financial statements and the budgetary comparison schedule. The additional schedules listed as "supplemental information" as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



December 7, 2012

**STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF NET ASSETS
 JUNE 30, 2012**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 58,698
Accounts receivable	98,720
Capital assets, Net	673,748
 Total assets	 831,166
Liabilities	
Accounts payable	5,475
Cash overdraft	63,681
Noncurrent liabilities:	
Due within one year	59,183
Due in more than one year	420,632
 Total liabilities	 548,971
Net Assets	
Invested in capital assets, net of related debt	520,953
Restricted for debt service	22,277
Unrestricted	(261,035)
 Total net assets	 \$ 282,195

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

**STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Governmental Activites
Program Expenses:	
Conservation:	
Current:	
Personnel Services	191,230
Legal Advertisments	924
Dues	1,260
Postage	1,638
Telephone	2,474
Newsletter and Meetings	743
Mileage and Per Diem	11,481
Supplies and Administration	6,798
Rent and Meeting Room Rental	3,725
Audit and Professional	21,574
Meetings and Registration	-
Capital Outlay	-
Equipment Maintenance	26,096
Insurance	2,961
Public Relations	1,666
Special Projects	4,491
Depreciation expenses	3,631
Debt Service-Interest and Service Fees	1,223
Grant Expense	1,655,528
	1,937,443
 Total program expenses	 1,937,443
Program Revenues:	
Charges for services	191,901
Federal operating grants and contracts	146,887
State operating grants and contracts	1,417,583
Reimbursements	46,107
Other Revenue	22,670
	1,825,148
 Total program revenues	 1,825,148
 Net program (expense) revenue	 (112,295)
General Revenues:	
State appropriation	8,825
Capital Outaly	27,816
Property taxes	58,236
Interest	123
	95,000
 Total general revenues	 95,000
 Change in net assets	 (17,295)
 Net assets at beginning of year	 299,490
 Net assets at end of year	 \$ 282,195

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

STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2012

		General Fund
Assets		
Cash and cash equivalents	\$	58,698
Accounts Receivable		98,720
 Total assets	 \$	 157,418
Liabilities and fund balance		
Liabilities:		
Accounts Payable	\$	5,475
Cash Overdraft		63,681
Deferred Income		-
 Total liabilities		 69,156
Fund balance:		
Restricted of Debt Service		22,277
Unassigned		65,985
 Total fund balance		 88,262
 Total liabilities and fund balance	 \$	 157,418

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

**STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
 RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS-
 TO THE STATEMENT OF NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Fund Balance - Balance Sheet	\$	88,262
Capital assets, net of accumulated depreciation		673,748
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Long-term debt	\$(470,212)	
Compensated absences	<u>(9,603)</u>	<u>(479,815)</u>
Net Assets - Statement of Net Assets (Exhibit 1)	\$	<u><u>282,195</u></u>

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

STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund
Revenues	
State Appropriation	\$ 8,825
Mill levy	58,236
Charges for Services	191,901
Interest Income	123
Capital Outlay	27,816
Reimbursements	46,107
Grant Revenues-State and Local:	1,417,583
Grant Revenues-Federal	146,887
Other Revenues	22,670
	1,920,148
Total revenues	1,920,148
Expenditures	
Conservation:	
Current:	
Personnel Services	185,315
Legal Advertisments	924
Dues	1,260
Postage	1,638
Telephone	2,474
Newsletter and Meetings	743
Mileage and Per Diem	11,481
Supplies and Administration	6,798
Rents and Meeting Room Rental	3,725
Audit and Professional	21,574
Insurance	2,961
Equipment Maintenance	26,096
Public Relations	1,666
Special Projects	4,491
Capital Outlay-Building	30,530
Capital Outlay-Equipment	-
Debt Service	41,555
Grant Expense	1,655,528
	1,655,528
Total expenditures	1,998,759
Excess (Dificiency) of Revenues Over Expenditures	(78,611)
Other Financing Sources(Uses)	
WTB Loan Proceeds	99,000
Total Other Financing Sources(Uses)	99,000
Fund balance beginning of year as reported	67,873
Fund balance end of year	\$ 88,262

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

STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
 GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Net change in fund balance - Governmental Funds	\$	20,389
Amounts reported in the Statement of Activities are different because:		
Loan proceeds recorded as revenues in the fund statements and not reported in the Statement of Activities.		(99,000)
Principal reduction in long-term debt recorded as an expenditure in the governmental funds.		40,332
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. However, in the governmental funds, expenditures for these items are measured by the amount of financial resources used (actually paid). The increase for the liability not recorded in the balance sheet is:		(5,915)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful life of the asset and reported as depreciation expense as follows:		
Capital Outlay	\$ 30,530	
Depreciation expense	(3,631)	26,899
Change in net assets - Statement of Activities	\$	<u>(17,295)</u>

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

STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
State Appropriation	\$ 8,000	\$ 8,000	\$ 8,825	\$ 825
Mill levy	55,678	55,678	57,520	1,842
Capital Outlay-State	179,443	179,443	27,816	(151,627)
Grant Administration	56,000	56,000	62,911	6,911
Technical Fees	145,000	145,000	128,990	(16,010)
Interest income	-	-	123	123
NMFA Loan Proceeds	100,000	100,000	99,000	(1,000)
Grant Revenues-Federal	1,492,159	1,492,159	120,207	(1,371,952)
Grant Revenues-State	1,535,000	1,535,000	1,351,342	(183,658)
Equipment Rental	15,000	15,000	2,730	(12,270)
Product Sales	1,100	1,100	2,750	1,650
Reimbursements	87,200	87,200	46,107	(41,093)
Miscellaneous Income	-	-	17,190	17,190
Total revenues	<u>3,674,580</u>	<u>3,674,580</u>	<u>1,925,511</u>	<u>(1,749,069)</u>
Expenditures				
Current:				
Personnel Services	\$ 95,747	\$ 185,477	\$ 185,315	\$ 162
Legal Advertisements	1,000	1,000	924	76
Bonding Expense	-	-	-	-
Dues	1,250	1,260	1,260	-
Postage	2,150	2,150	1,638	512
Telephone	-	2,465	2,465	-
Newsletter and Meetings	2,000	2,000	1,096	904
Mileage and Per Diem	14,000	14,000	10,962	3,038
Supplies-Administration	4,500	6,798	6,798	-
Storage and Meeting Room Rental	6,300	6,300	3,725	2,575
Audit and Professional	19,300	21,574	21,574	-
Meetings and Registration	6,500	6,500	-	6,500
Capital Outlay-Equipment	7,000	7,000	-	7,000
Equipment Maintenance	19,500	22,200	22,200	-
Insurance	13,910	4,163	2,961	1,202
Public Relations	5,700	5,700	1,666	4,034
Special Projects	-	4,506	4,506	-
Capital Outlay-Building	179,443	179,443	30,530	148,913
Grant Expense	3,212,159	3,076,368	1,655,528	1,420,840
Debt Service	-	41,555	41,555	-
Total expenditures	<u>3,590,459</u>	<u>3,590,459</u>	<u>1,994,703</u>	<u>1,595,756</u>
Excess (Deficiency) of Revenues over Expenditures	84,121	84,121	(69,192)	
Cash Balance, Beginning	64,209	64,209	64,209	
Cash Balance, Ending	<u>\$ 148,330</u>	<u>\$ 148,330</u>	<u>\$ (4,983)</u>	

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

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2012

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Claunch-Pinto Soil and Water Conservation District (District) is organized under the provisions of the Soil and Water Conservation District Act (73-20-25 through 73-20-49 NMSA 1978). The District is a governmental subdivision of the state, a public body corporate and politic, organized for control and prevention of flood, sediment, and soil erosion damage, and to further the conservation, development and beneficial use of water and soil resources. The governing body of the District consists of five elected supervisors, four of whom must be landowners in the District. Two additional supervisors may be appointed to the District board. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

The financial reporting entity as defined by Governmental Accounting Standards Board (GASB) 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) Financial Accounting Standards Board (FASB) and Accounting Principal Board (APB) opinions issued on or before November 30, 1989 unless they conflict with GASB pronouncements. 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 and Statement of Activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, the District does not have any fiduciary or business-type activities.

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

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2012

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2012

D. Assets, Liabilities, Net Assets and Fund Balance

1. Deposits and Investments

The District's cash and cash equivalents are considered to be demand deposits and short term investments.

State statutes authorize the District to invest in obligations of the U.S. Treasury, repurchase agreements, certificates of deposit and the State Treasurer's Investment Pool. Investments for the government, if applicable, are reported at fair value. The State Treasurer is authorized to invest the short-term investment funds with the advice and consent of the State Board of Finance in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E NMSA 1978. Participation in the local government investment pool is voluntary. For additional disclosure information regarding investments held by the State Treasurer, the reader should refer to the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2012.

2. Accounts Receivable and Property Taxes

The District's accounts receivable consists of grants from the New Mexico Finance District for Water Trust Grants and the Torrance, Socorro and Lincoln County property taxes. The District receives mill-levy property tax revenue from the Torrance County. Property taxes attach an enforceable lien as of January 1. Taxes are payable in equal semi-annual installments on November 10 and April 10 of the subsequent year. The taxes become delinquent thirty days after the due date. The taxes are collected by the respective county treasurer and are remitted to the District in the month following collection. Therefore, no allowance for doubtful accounts is recorded.

3. Capital Assets

Capital assets, which include property and equipment (including software) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by state law as assets with an initial cost of \$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. Currently, the District has no infrastructure that is required to be capitalized and depreciated under GASBS 34.

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2012

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

Office equipment	5 years
Farm equipment	5 years
Computer equipment	6 years

The District is currently in the construction phase of a new office building to house its operations. Construction costs are currently classified as in progress.

4. Accounts Payable

The District's accounts payable represent routine monthly bills for services rendered and products purchased which are paid for in the following month.

5. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide financial statements. A current liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of resignations and retirements. According to District policy, employees accrue annual leave up to eighteen days leave based on longevity with the District. Employees may not carry more than 80 hours forward from one calendar year to the next.

6. Net Assets and Fund Balance

Effective July 1, 2010, the District adopted GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The standard establishes and defines the following categories:

Nonspendable – amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted – amounts that are restricted to specific purposes either externally imposed by creditors, grantors or laws or regulations or imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can only be used for specific purposes pursuant to formal action of the government's highest decision making District.

Assigned – amounts that are intended to be used for specific purposes, but are neither restricted nor committed.

Unassigned – remaining general funds balances not restricted, committed, or assigned.

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2012

Restricted Net Assets

The District records restricted net assets when there are legal limitations imposed on their use by law. These same legal limitations are reflected as restrictions of fund balance. If Restricted and unrestricted net assets are available for the same purpose, then restricted net assets will be used before unrestricted net assets.

7. Estimates

The preparation of these financial statements in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

1. Prior to April 1, the Budget Committee submits to the District Board of Supervisors a proposed revenue and expenditure budget for the fiscal year beginning July 1.
2. The Board reviews the budget proposal and makes any necessary adjustments.
3. Prior to June 1, the Board approves the budget by passing a resolution.
4. Prior to June 20, the approved budget is submitted to the State of New Mexico, Department of Finance and Administration, Local Government Division (DFA-LGD) for approval by the first Monday of September. The Board receives notice of the approved budget. The legal level at which actual expenditures may not exceed budgeted expenditures is at the total fund level. The Board can revise its budget with the approval of DFA-LGD. Encumbrance accounting is not utilized by the District

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2012

III. Detailed Notes on all Funds

A. Cash and Cash Equivalents

The following is a summary cash accounts of the District as of June 30, 2012:

	<u>Cash in Bank</u>	<u>O/S Deposit</u>	<u>O/S Checks</u>	<u>Book Balance</u>
MY Bank-General Fund	\$ 17,405	\$ 809	\$ 485	\$ 17,729
MY Bank-Water Trust Board	734	-	64,414	(63,680)
MY Bank-Debt Service Account	10,617	-	-	10,617
MY Bank-Grants Account	50,656	-	39,137	11,519
Mellon Bank - Debt Service	9,713	-	-	9,713
New Mexico Finance Authority-Debt Service	1,947	-	-	1,947
New Mexico State Treasurer-Investment	7,147	-	-	7,147
Petty Cash	25	-	-	25
	<u>\$ 98,244</u>	<u>\$ 809</u>	<u>\$ 104,036</u>	<u>\$ (4,983)</u>
Cash Presentation on Financial Statements:				
				\$ 58,698
Cash and Cash Equivalents				(63,681)
Cash Overdraft				<u>(4,983)</u>
Total Cash				<u>\$ (4,983)</u>

The following is a summary a accounts which are subject to depository statutes of the State of New Mexico:

MY Bank

Demand deposits	\$ 79,412
Less: FDIC coverage	(79,412)
Amount uninsured	<u>\$ 0</u>
Pledged securities at fair market value	\$ 0
50% collateral requirement	(0)
Over(Under) Collateralized	<u>\$ 0</u>

Mellon Bank

Demand deposits	\$ 9,713
Less: FDIC coverage	(9,713)
Amount uninsured	<u>\$ 0</u>
Pledged securities at fair market value	\$ 0
50% collateral requirement	(0)
Over(Under) Collateralized	<u>\$ 0</u>

The District had cash funds held by the New Mexico Finance Authority with the New Mexico State Treasurer for debt service. The amounts held for the benefit of the District was \$1,947 at year end.

As of June 30, 2012, the District had one checking account overdrawn on a GAAP basis this account is shown in the Statement of Net Assets and Balance Sheet – Government Funds as a cash overdraft.

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2012

The District has cash in the amount of \$7,147 invested in the State Treasurer Local Government Investment Pool. The Local Government Investment Pool includes the following disclosures:

Interest Rate Risk and Credit Rating- Investment in State Treasurer's LGIP

The District has adopted an Investment Policy that addresses investment interest rate and credit risks by specifying suitable and authorized investments, defining investment diversification and maturity parameters, and requiring collateralization of investments held at financial institutions. The District's investments at June 30, 2012 consisted of two accounts in the New Mexico State Treasurer's Local Government Investment Pool (the Pool), which are stated at fair value. The District's investments at June 30, 2012 consisted of two accounts in the New Mexico State Treasurer's Local Government Investment Pool (the Pool), which are stated at fair value (\$7,147), based on quoted market prices as of June 30, 2012.

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The Pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts in the fund were invested. Participation in the Pool is voluntary. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investment in the Pool is subject to credit risk. The Pool is rated AAAM, by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The prices of securities fluctuate with market interest rates and securities held in a portfolio will decline if market interest rates rise. The Pool's weighted average maturity (WAM) is the key determinant of the tolerance of the investments to rising interest rates. In general, the longer the WAM, the more susceptible the investments are to rising interest rates. At June 30, 2012, the Pool's WAM is 60 days and its rating was AAAM. In accordance with its investment policy, the District, when applicable, manages its exposure to declines in fair values on certificates of deposit by limiting investments to maturities no longer than one year from the date of purchase.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2012, the Pool investments were all in U.S. dollar denominated assets, and as such were not subject to foreign currency risk.

B. Receivables

The District had accounts receivable of \$98,720 consisting of \$97,249 due from the various grants for services rendered and \$1,471 due for property taxes.

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2012

C. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

Description	Balance 06/30/11	Additions	Deletions	Balance 06/30/12
Land	\$ 211,888	\$ -	\$ -	\$ 211,888
Construction in Progress	407,123	30,530	-	437,653
Office equipment	7,290	-	-	7,290
Farm equipment	65,904	-	-	65,904
Computer equipment	2,143	-	-	2,143
Total at historical costs	<u>694,348</u>	<u>30,530</u>	<u>-</u>	<u>724,878</u>
Less: Accumulated depreciation for				
Farm equipment	(38,066)	(3,631)	-	(41,697)
Office and computer equipment	<u>(9,433)</u>	<u>-</u>	<u>-</u>	<u>(9,433)</u>
Total accumulated depreciation	<u>(47,499)</u>	<u>(3,631)</u>	<u>-</u>	<u>(51,130)</u>
Net capital assets	<u>\$ 646,849</u>	<u>\$ 26,899</u>	<u>\$ -</u>	<u>\$ 673,748</u>

The District's depreciation expense of \$3,631 was charged to the general operations.

D. Compensated Absences

As of June 30, 2012 the liability accrued for compensated absences is as follows:

	Balance 6/30/11	Increases	Decreases	Balance 6/30/12	Amount due within 1 year
Compensated absences	<u>\$ 3,688</u>	<u>\$ 6,935</u>	<u>\$ (1,020)</u>	<u>\$ 9,603</u>	<u>\$ 9,603</u>

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

The following is a reconciliation of Non-GAAP to GAAP revenue and expense for the year ended June 30 2012:

	General Fund
Non-GAAP revenues	\$ 1,925,511
Change in Receivables	93,537
Change in Deferred Income	100
GAAP revenues	<u>\$ 2,019,148</u>
Non-GAAP expenditures	\$ 1,994,703
Change current year payable	4,056
GAAP expenditures	<u>\$ 1,998,759</u>
Net Change	<u>\$ 20,389</u>

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2012

F. Long-Term Debt

Long-term debt outstanding as of June 30, 2012 is as follows:

	<u>6/30/2011</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>6/30/2012</u>	<u>Due in One Year</u>
Note Payable to the New Mexico Finance Authority for the purpose of funding conservation projects. Matures 06/30/18. Interest rate is 0%.	48,000	-	(3,000)	45,000	6,000
Note Payable to the New Mexico Finance Authority for the purpose of funding conservation projects. Matures 06/01/18. Interest rate is 0%.	103,037	-	(5,941)	97,096	12,111
Note Payable to the New Mexico Finance Authority for the purpose of funding conservation projects. Matures 06/01/17. Interest rate is 0%.	44,583	-	(6,321)	38,262	6,337
Note Payable to New Mexico Finance Authority, Due 5/1/2028 for the purpose of acquisition of land. Interest Rate 0%	161,857	-	(9,332)	152,525	9,355
Note Payable to the New Mexico Finance Authority for the purpose of funding conservation projects. Matures 06/01/20. Interest rate is 0%.	54,067	-	(5,948)	48,119	5,963
Note Payable to the New Mexico Finance Authority for the purpose of funding conservation projects. Matures 06/01/21. Interest rate is .25%.	-	54,000	(5,340)	48,660	5,353
Note Payable to the New Mexico Finance Authority for the purpose of funding conservation projects. Matures 06/01/21. Interest rate is .25%.	-	45,000	(4,450)	40,550	4,461
Compensated Absences	<u>3,688</u>	<u>6,935</u>	<u>(1,020)</u>	<u>9,603</u>	<u>9,603</u>
Total	<u>\$ 415,232</u>	<u>\$ 105,935</u>	<u>\$ (41,352)</u>	<u>\$ 479,815</u>	<u>\$ 59,183</u>

The annual requirements to amortize debt is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 59,183	\$ 223	\$ 59,406
2014	49,688	198	49,886
2015	49,768	174	49,942
2016	151,513	149	151,662
2017	37,989	125	38,114
2018-2022	73,761	249	74,010
2023-2027	38,512	-	38,512
2028-2032	<u>19,401</u>	<u>-</u>	<u>19,401</u>
Total Outstanding	<u>\$ 479,815</u>	<u>\$ 1,118</u>	<u>\$ 480,933</u>

General funds and used to liquidate this debt.

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2012

IV. Other Information

A. Employee Retirement Benefits

Plan Description. The District's full time employee participates in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides retirement, disability and survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy. Plan members are required to contribute 7% of their gross salary. The District is required to contribute 7% of the gross covered salary. The contribution requirements of plan members and the District are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the years ended June 30, 2012, 2011, and 2010 are \$4,660, \$4,155, and \$4,251 respectively, equal to the amount of required contributions each year.

B. Post-Employment Benefits

The District does not offer post-employment healthcare benefits to its employee.

C. Risk Management

The District is exposed to various risks of loss due to torts, theft or damage of assets, errors and omissions and natural disasters. The District's supervisors and employees are covered by an errors and omissions liability policy purchased by the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,000,000 for each wrongful act and \$1,000,000 for the policy aggregated. The District is required to obtain a corporate surety bond on behalf of persons responsible for District assets. The District currently maintains a \$25,000 surety bond as well as commercial property coverage. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

D. Contingent Liabilities

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

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2012

E. Joint Powers Agreements

The District entered into a joint powers agreement with New Mexico Energy, Minerals and Natural Resources Department pursuant to NMSA 1978 Section 68-2-6 Inmate Work Camp Program and is responsible for entering into contracts and joint powers agreements with other governmental agencies to promulgate natural resource conservation and rural fire defense, pursuant to the Soil and Water conservation District Act, NMSA 1978 Section 75-20-25.

The District entered into a joint powers agreement with New Mexico Energy, Minerals and Natural Resources Department pursuant to NMSA 1978 Section 68-2-1 to 68-2-33 to protect forests and providing forest management, technical assistance in forest health and wild land urban interface and hazardous fuels reduction pursuant to the Soil and Water Conservation District Act, NMSA 1978 Section 75-20-25.

F. Capital Outlay Grant- New Mexico Department of Agriculture

The District received a capital outlay grant from the New Mexico Department of Agriculture for the purpose of construction of an operation building for the District. The amount appropriated and expended for the current fiscal year was \$27,816.

Supplemental Information

Dan Austin CPA, PC
700 Mechem Drive Ste. 15
Ruidoso, NM 88345

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*

Hector H. Balderas, New Mexico State Auditor
Chairman and Members of the Board of Supervisors
Claunch-Pinto Soil and Water Conservation District
P.O. Box 129
Mountainair, New Mexico 87036

We have audited the financial statements of the governmental activities, the general fund, and the respective budgetary comparison of the Claunch-Pinto Soil and Water Conservation District as of and for the year ended June 30, 2012, which collectively comprise the Claunch-Pinto Soil and Water Conservation District's basic financial statements and have issued our report thereon dated December 7, 2012. 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

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Claunch-Pinto Soil and Water Conservation 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 Claunch-Pinto Soil and Water Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Claunch-Pinto Soil and Water Conservation 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.

Compliance and Other Matters

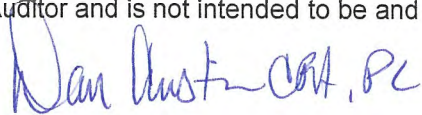
As part of obtaining reasonable assurance about whether the Claunch-Pinto Soil and Water Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with 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 test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under Government Auditing Standards January 2007 Revision paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings as item 07-A.

The Claunch-Pinto Soil and Water Conservation District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Claunch-Pinto Soil and Water Conservation District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Claunch-Pinto Soil and Water Conservation District's management, the New Mexico Department of Finance and Administration, New Mexico Department of Agriculture, the New Mexico State Legislature, the applicable federal grantors, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Dan Austin CPA, PC". The signature is written in a cursive style.

December 7, 2012

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Schedule of Audit Findings, Recommendations, Responses and Other Disclosures
June 30, 2012

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control Over Financial Reporting

Material weakness identified? No

Significant deficiencies identified not considered
To be material weakness? No

Compliance and Other Matters

Noncompliance material to the financial statements noted? No

Status of Prior Year Findings:

07-A. Audit Report Submitted Late-Repeated

Current Year Findings:

07-A. Audit Report Submitted Late

Condition: The audit report was not submitted to the New Mexico State Auditor's office by the due date of December 1, 2012.

Criteria: The New Mexico State Auditor requires public entities to submit their audit reports by December 1. If the reports are submitted late, it is considered to be an instance of noncompliance with Subsection A of 2.2.2.9 NMAC.

Cause: The Auditor failed to complete the engagement by December 1, 2012.

Effect: Noncompliance with state audit rule.

Recommendation: Complete the audit reports in a timely manner.

Response: The District will submit future audit reports by the due date.

Financial Statement Preparation

Although it would be preferred and desirable for the District to prepare its own GAAP-based financial statements, it is felt that the District's personnel do not have the time to prepare them. Therefore, the outside auditor has prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report, however, the responsibility for the content of the report remains with District management.

Exit Conference

On December 15, 2012, an exit conference was held at the District's administrative offices. Present were Felipe Lavoto, Chairman, Diedre Tarr, District Manager, Dan Austin, CPA, representing the audit firm. Financial Statements and current year finding for the year ended June 30, 2012, were discussed as well as other financial reporting considerations.