



State of New Mexico  
OFFICE OF THE STATE AUDITOR

Hector H. Balderas  
State Auditor

Carla C. Martinez  
Deputy State Auditor

January 13, 2012

SAO Ref. No. 8010

Felipe Lovato Jr., Chairman  
Clauch-Pinto Soil & Water Conservation District  
P.O. Box 129  
Mountainair, NM 87036-0129

SUBJECT: Audit Report—Clauch-Pinto Soil & Water Conservation District—2010-2011 Fiscal Year—  
Prepared by Dan Austin, CPA, PC

The audit report for your agency was received by the Office of the State Auditor (Office) on December 12, 2011. The State Auditor's review of the audit report required by Section 12-6-14 (B) NMSA 1978 and 2.2.2.13 NMAC has been completed. This letter is your authorization to make the final payment to the independent public accountant (IPA) who contracted to perform your agency's financial and compliance audit. In accordance with Section 2 of the audit contract, the IPA will deliver the specified number of copies of the audit to the agency.

Per Section 12-6-5 NMSA 1978, the audit report does not become public record until five days after the date of this release letter, unless your agency has already submitted a written waiver to the Office. Once the five-day period has expired or upon the Office's receipt of a written waiver, the audit report shall be:

- released by the Office of the State Auditor to the Legislative Finance Committee, and the Department of Finance and Administration; and
- presented by the agency to a quorum of the agency's governing authority at a public meeting, for approval, per Section 2.2.2.10.J.(3)(d) of NMAC, *Requirements for Contracting and Conducting Audits of Agencies*.

The independent public accountant's findings and comments are included in the audit report on page 27. **It is ultimately the responsibility of the governing authority of the agency to take corrective action on all findings and comments.**

A handwritten signature in black ink, appearing to read "Hector H. Balderas".

HECTOR H. BALDERAS  
STATE AUDITOR

cc: Dan Austin, CPA, PC

**State of New Mexico  
Claunch-Pinto Soil and Water  
Conservation District  
Audited Financial Statements  
June 30, 2011**

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, 2011

Table of Contents	1
Introductory Section	2
Official Roster	3
FINANCIAL SECTION	4
Independent Auditor's Report	5
<b>Basic Financial Statements:</b>	
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
OTHER REPORTS	23
Schedule of State Grants	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, 2011

<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

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

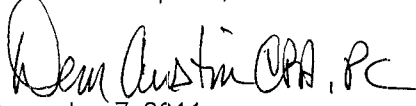
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2011, 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.

The District has not presented the Management's Discussion and Analysis required by *GASB Statement No. 34* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 7, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the and budgetary comparisons. The accompanying schedule of state grants is for purpose of additional analysis and is not a required part of the basic financial statements. The schedule of state grants has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole

  
December 7, 2011

**STATE OF NEW MEXICO  
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2011**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 57,025
Investments	7,184
Accounts receivable	5,183
Due from NM Finance Authority	-
Capital assets, Net	<u>646,849</u>
 Total assets	 <u>716,241</u>
<b>Liabilities</b>	
Accounts payable	1,419
Deferred Income	100
Noncurrent liabilities:	
Due within one year	43,370
Due in more than one year	<u>371,862</u>
 Total liabilities	 <u>416,751</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	484,992
Unrestricted	<u>(185,502)</u>
 Total net assets	 <u><u>\$ 299,490</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 ACTIVITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Governmental Activites
<b>Program Expenses:</b>	
Conservation:	
Current:	
Personnel Services	125,602
Legal Advertisements	825
Bonding Expense	150
Dues	580
Postage	1,884
Telephone	2,628
Newsletter and Meetings	1,795
Mileage and Per Diem	13,226
Supplies and Administration	3,679
Storage and Meeting Room Rental	3,840
Audit	11,455
Meetings and Registration	1,075
Capital Outlay	194
Equipment Maintenance	26,230
Public Relations	1,267
Special Projects	5,323
Depreciation expenses	6,590
Grant Expense	1,049,209
Total program expenses	1,255,552
<b>Program Revenues:</b>	
Charges for services	129,388
Federal operating grants and contracts	144,990
State operating grants and contracts	865,788
Reimbursements	21,032
Other Revenue	17,598
Total program revenues	1,178,796
Net program (expense) revenue	(76,756)
<b>General Revenues:</b>	
State appropriation	9,436
Capital Outlay	147,326
Property taxes	56,080
Interest	246
Total general revenues	213,088
Change in net assets	136,332
Net assets at beginning of year	163,158
Net assets at end of year	\$ 299,490

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, 2011

		General Fund
<b>Assets</b>		
Cash and cash equivalents	\$	57,025
Investments		7,184
Accounts Receivable		5,183
Total assets	\$	69,392
 <b>Liabilities and fund balance</b>		
Liabilities:		
Accounts Payable	\$	1,419
Deferred Income		100
Total liabilities		1,519
Fund balance:		
Unreserved, undesignated		67,873
Total fund balance		67,873
Total liabilities and fund balance	\$	69,392

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, 2011**

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	\$	67,873
Capital assets, net of accumulated depreciation		646,849
Loan proceeds held by lender		-
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Long-term debt	\$ (411,544)	
Compensated absences	(3,688)	(415,232)
Net Assets - Statement of Net Assets (Exhibit 1)	\$	<u>299,490</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, 2011**

		General Fund
<b>Revenues</b>		
State Appropriation	\$	9,436
Mill levy		56,080
Charges for Services		129,388
Interest Income		246
Capital Outlay		147,326
NMFA Loan Proceeds		60,000
Reimbursements		21,032
Grant Revenues-State and Local:		865,788
Grant Revenues-Federal		144,990
Other Revenues		17,598
		1,451,884
Total revenues		1,451,884
<b>Expenditures</b>		
Conservation:		
Current:		
Personnel Services		124,220
Legal Advertisements		825
Bonding Expense		150
Dues		580
Postage		1,884
Telephone		2,628
Newsletter and Meetings		1,795
Mileage and Per Diem		13,226
Supplies and Administration		3,679
Storage and Meeting Room Rental		3,840
Audit		11,455
Meetings and Registration		1,075
Equipment Maintenance		26,230
Public Relations		1,267
Special Projects		5,323
Legal Counsel		-
Capital Outlay-Building		126,205
Capital Outlay-Equipment		194
Debt Service		43,620
Grant Expense		1,049,209
		1,417,405
Total expenditures		1,417,405
Excess (Deficiency) of Revenues Over Expenditures		34,479
Fund balance beginning of year as reported		33,394
Fund balance end of year	\$	67,873

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, 2011**

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

Net change in fund balance - Governmental Funds \$ 34,479

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. (60,000)

Principal reduction in long-term debt recorded as an expenditure in the governmental funds. 43,620

In the Statement of Activities, compensated absences are measured by the amounts earned during the year. However, in the governmental funds, expenditures for these items are measured by the amount of financial resources used (actually paid). The increase for the liability not recorded in the balance sheet is: (1,382)

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	\$ 126,205	
Depreciation expense	(6,590)	119,615

Change in net assets - Statement of Activities \$ 136,332

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, 2011

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
State Appropriation	\$ 9,000	\$ 9,000	\$ 9,436	\$ 436
Mill levy	47,350	47,350	56,232	8,882
Capital Outlay-State	315,541	315,541	147,326	(168,215)
Grant Administration	100,000	100,000	30,000	(70,000)
Technical Fees	60,000	60,000	99,388	39,388
Interest income	600	600	246	(354)
NMFA Loan Proceeds	1,600,000	1,600,000	60,000	(1,540,000)
Grant Revenues-Federal	1,706,500	1,706,500	142,054	(1,564,446)
Grant Revenues-State	1,940,000	1,940,000	936,085	(1,003,915)
Equipment Rental	15,000	15,000	16,008	1,008
Reimbursements	-	-	21,032	21,032
Miscellaneous Income	3,100	3,100	1,590	(1,510)
<b>Total revenues</b>	<u>5,797,091</u>	<u>5,797,091</u>	<u>1,519,397</u>	<u>(4,277,694)</u>
<b>Expenditures</b>				
Current:				
Personnel Services	\$ 131,000	\$ 131,000	\$ 130,024	\$ 976
Legal Advertisements	1,000	1,000	825	175
Bonding Expense	150	150	150	-
Dues	1,250	1,250	580	670
Postage	2,150	2,150	1,884	266
Telephone	2,700	2,700	2,639	61
Newsletter and Meetings	1,900	1,900	1,838	62
Mileage and Per Diem	14,500	14,500	14,466	34
Supplies-Administration	6,300	6,300	3,920	2,380
Storage and Meeting Room Rental	3,840	3,840	3,840	-
Audit and Professional	19,250	19,250	12,827	6,423
Meetings and Registration	2,800	2,800	1,075	1,725
Capital Outlay-Equipment	500	500	194	306
Equipment Maintenance	26,500	26,500	26,230	270
Insurance	1,540	1,540	-	1,540
Public Relations	2,500	2,500	1,267	1,233
Special Projects	6,000	6,000	4,963	1,037
Capital Outlay-Building	1,600,000	1,600,000	126,205	1,473,795
Grant Expense	3,914,230	3,914,230	1,054,196	2,860,034
Debt Service	45,000	45,000	43,620	1,380
<b>Total expenditures</b>	<u>5,783,110</u>	<u>5,783,110</u>	<u>1,430,743</u>	<u>4,352,367</u>
Excess (Deficiency) of Revenues over Expenditures	13,981	13,981	88,654	
Cash Balance, Beginning	(24,445)	(24,445)	(24,445)	
Cash Balance, Ending	<u>\$ (10,464)</u>	<u>\$ (10,464)</u>	<u>\$ 64,209</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, 2011**

**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 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) 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, 2011**

**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, 2011**

**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, 2011.

2. Accounts Receivable

The District's accounts receivable consists of grants from the New Mexico Finance Authority 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, 2011**

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

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

The difference between the District's assets and liabilities is its net assets. The District's net assets consist of two components – invested in capital assets, which is the cost of capital assets, net of accumulated depreciation and unrestricted net assets. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The District currently has no reservations of fund balance.

**State of New Mexico**  
**Claunch-Pinto Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2011**

**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.

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

	General Fund
Non-GAAP revenues	\$ 1,519,397
Change in Receivables	(70,449)
Change in Deferred Income	2,936
GAAP revenues	\$ 1,451,884
Non-GAAP expenditures	\$ 1,430,743
Change current year payable	(13,338)
GAAP expenditures	\$ 1,417,405

**State of New Mexico**  
**Claunch-Pinto Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2011**

**III. Detailed Notes on all Funds**

**A. Cash and Investments**

As of June 30, 2011, the District had a carrying amount of deposits of \$56,999 and \$25 of petty cash. The bank balances for deposits were \$73,581. The difference between the carrying amount and the bank balance of deposits is due to outstanding deposits of \$34,010 and checks of \$50,667. The total bank balance of \$80,741 consisted of the following:

MY Bank

Demand deposits	\$ 61,896
Less: FDIC coverage	<u>(61,896)</u>
Amount uninsured	<u>\$ 0</u>
Pledged securities at fair market value	\$ 0
50% collateral requirement	<u>(0)</u>
Over(Under) Collateralized	<u>\$ 0</u>

Mellon Bank

Demand deposits	\$ 9,713
Less: FDIC coverage	<u>(9,713)</u>
Amount uninsured	<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.

The following is a reconciliation of cash and investments on hand:

	<u>Cash in Bank</u>	<u>O/S Deposit</u>	<u>O/S Checks</u>	<u>Book Balance</u>
MY Bank	\$ 61,896	\$ 34,110	\$ 50,667	\$ 45,339
Mellon Bank	9,713	-	-	9,713
New Mexico Finance Authority	1,947	-	-	1,947
Petty Cash	<u>25</u>	<u>-</u>	<u>-</u>	<u>25</u>
	<u>\$ 73,581</u>	<u>\$ 34,110</u>	<u>\$ 50,667</u>	<u>\$ 57,024</u>

The District has \$7,184 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 does not have a formal policy limiting investment maturities to manage its exposure to fair value losses from increasing interest rates. The District's investments at June 30, 2011 include the following:

State Treasurer LGIP	AAAm	36-day WAM	<u>\$ 7,184</u>
----------------------	------	------------	-----------------

**State of New Mexico**  
**Claunch-Pinto Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2011**

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 funds in securities that are issued by the United States government or by its departments or agencies and are either 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; 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 of the fund were invested. Any unrealized gain or loss on the portfolio is distributed through the investment yield on distributed dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2011. Participation in the Local Government Investment Pool is voluntary.

NM State Statutes require collateral pledged for repurchase agreements in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village for at least 102% of the amount on deposit with the institution. There are no repurchase agreements for the year ended June 30, 2011.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. All deposits of the district were insured by the FDIC and the District was not exposed to any custodial credit risk.

**B. Receivables**

The District had accounts receivable of \$5,183 consisting of \$4,428 due from the various grants for services rendered and \$755 due for property taxes.

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

Description	Balance 06/30/10	Additions	Deletions	Balance 06/30/11
Land	\$ 211,888	\$ -	\$ -	\$ 211,888
Construction in Progress	280,918	126,205	-	407,123
Office equipment	7,290	-	-	7,290
Farm equipment	65,904	-	-	65,904
Computer equipment	2,143	-	-	2,143
Total at historical costs	<u>568,143</u>	<u>126,205</u>	<u>-</u>	<u>694,348</u>
Less: Accumulated depreciation for				
Office equipment	(8,747)	-	-	(8,747)
Farm equipment	(25,557)	(6,590)	-	(32,147)
Computer equipment	(6,605)	-	-	(6,605)
Total accumulated depreciation	<u>(40,909)</u>	<u>(6,590)</u>	<u>-</u>	<u>(47,499)</u>
Net capital assets	<u>\$ 527,234</u>	<u>\$ 119,615</u>	<u>\$ -</u>	<u>\$ 646,849</u>

The District's depreciation expense of \$6,590 was charged to the conservation function.

**State of New Mexico**  
**Claunch-Pinto Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2011**

**C. Compensated Absences**

As of June 30, 2011 the liability accrued for compensated absences is as follows:

	<u>Balance</u> <u>6/30/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/11</u>	<u>Amount due</u> <u>within 1 year</u>
Compensated absences	<u>\$ 2,306</u>	<u>\$ 3,688</u>	<u>\$ 2,306</u>	<u>\$ 8,300</u>	<u>\$ 3,688</u>

**E. Long-Term Debt**

Long-term debt outstanding as of June 30, 2011 is as follows:

	<u>6/30/2010</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>6/30/2011</u>	<u>Due in</u> <u>One Year</u>
Note Payable to the New Mexico Water Trust Board for the purpose of funding conservation projects. Matures 06/30/18. Interest rate is 0%.	51,000	-	(3,000)	48,000	6,000
Note Payable to the New Mexico Water Trust Board for the purpose of funding conservation projects. Matures 06/01/18. Interest rate is 0%.	108,963	-	(5,926)	103,037	12,081
Note Payable to the New Mexico Water Trust Board for the purpose of funding conservation projects. Matures 06/01/17. Interest rate is 0%.	50,888	-	(6,305)	44,583	6,321
Note Payable to Wells Fargo Financial for the purpose of acquiring a Vemeer Chipper. Monthly payment of \$1,137. Matures June 30, 2011.	13,148	-	(13,148)	-	-
Note Payable to New Mexico Finance Authority, Due 5/1/2028 for the purpose of acquisition of land. Interest Rate 0%	171,165	-	(9,308)	161,857	9,332
Note Payable to the New Mexico Water Trust Board for the purpose of funding conservation projects. Matures 06/01/20. Interest rate is 0%.	60,000	-	(5,933)	54,067	5,948
Compensated Absences	<u>2,306</u>	<u>3,688</u>	<u>(2,306)</u>	<u>3,688</u>	<u>3,688</u>
Total	<u>\$ 457,470</u>	<u>\$ 3,688</u>	<u>\$ (45,926)</u>	<u>\$ 415,232</u>	<u>\$ 43,370</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>
2012	\$ 43,370	\$ -	\$ 43,370
2013	39,766	-	39,766
2014	39,850	-	39,850
2015	39,905	-	39,905
2016	39,905	-	39,905
2017-2021	169,191	-	169,191
2022-2026	43,245	-	43,245
2027-2031	-	-	-
Total Outstanding	<u>\$ 415,232</u>	<u>\$ -</u>	<u>\$ 415,232</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, 2011**

**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, 2011, 2010, and 2009 are \$4,155, \$4,251, and \$4,127 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.

**E. Deferred Revenue**

Deferred Revenue represents advances on grants which have not been earned at June 30, 2011. At June 30, 2011, \$100 in revenue from the Bingaman Riparian Grant was deferred.

**State of New Mexico**  
**Claunch-Pinto Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2011**

**F. 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 wildland urban interface and hazardous fuels reduction pursuant to the Soil and Water Conservation District Act, NMSA 1978 Section 75-20-25.



## **Other Reports**

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

<u>Project</u>	<u>Agency</u>	<u>Grant#</u>	<u>Effective Date</u>	<u>Date</u>	<u>Original Amount</u>	<u>Arts In Public Places</u>	<u>Net Amount</u>	<u>Exp to Date</u>	<u>Remaining</u>
Project 8.3	NMDA	No. 08.3	7/1/2007	6/30/2011	198,000	-	198,000	198,000	-
Project 8.3	NMDA	No. 08.3	7/1/2008	6/30/2012	396,000	-	396,000	211,557	184,443
Project 9.3	4Corners Inst.	No. 09.3	8/1/2008	7/31/2009	8,421	-	8,421	8,421	-
Project 9.4	EMNR	No. 09.4	9/10/2008	12/31/2010	100,000	-	100,000	25,000	-
WTB No. 81	NMFA	No. 81	7/18/2008	7/18/2011	600,000	-	600,000	600,000	-
WTB No. 103	NMFA	No. 103	7/20/2010	6/30/2011	600,000	-	600,000	600,000	-
WTB No. 143	NMFA	No. 143	8/31/2010	6/30/2010	600,000	-	600,000	600,000	-
Abo Arroyo RERI	EMNR		5/8/2009	6/30/2012	116,000	-	116,000	85,457	30,543
					-	-	-	-	-
					-	-	-	-	-
<b>Total</b>					<u>\$ 2,618,421</u>	<u>\$ -</u>	<u>\$ 2,618,421</u>	<u>\$ 2,328,435</u>	<u>\$ 214,986</u>

See Accountant's Report

**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, 2011, which collectively comprise the Claunch-Pinto Soil and Water Conservation District's basic financial statements and have issued our report thereon dated December 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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.

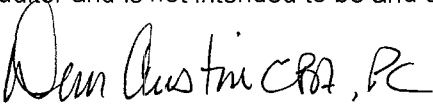
### **Compliance and Other Matters**

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.

  
December 7, 2011

**State of New Mexico**  
**Claunch-Pinto Soil and Water Conservation District**  
**Schedule of Audit Findings, Recommendations, Responses and Other Disclosures**  
**June 30, 2011**

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, 2011.

**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, 2011.

**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 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 10, 2011, an exit conference was held at the District's administrative offices. Present were Felipe Lavoto, Chairman, Richard Schovelin, Secretary/Treasurer, Diedre Tarr, District Manager, Dan Austin, CPA, representing the audit firm. Reportable conditions for the year ended June 30, 2011, were discussed as well as other financial reporting considerations.