

Extra

State of New Mexico
OFFICE OF THE STATE AUDITOR

STATE OF NEW MEXICO

CLAUNCH-PINTO
SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2005

(With Independent Auditor's Report Thereon)



Domingo P. Martinez, CGFM
State Auditor

9010

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT

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STATE AUDITOR

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
OFFICIAL ROSTER
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
Felipe Lovato, Jr.	Chairperson
Charles Hodgkin	Vice-Chairperson
J. Lynn Chilton	Secretary/Treasurer
E. R. (Bud) Bagley	Supervisor
J. Brian Greene	Supervisor
Brent Racher, PhD	Supervisor
William D. Caster	Supervisor
<u>District Personnel</u>	<u>Title</u>
Dierdre L. Tarr	District Manager



State of New Mexico

OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

Carl M. Baldwin, CPA, CFE
Deputy State Auditor

INDEPENDENT AUDITOR'S REPORT

Mr. Felipe Lovato, Jr., Chair
and Members of the Board of Supervisors
Claunch-Pinto Soil and Water Conservation District
PO 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, 2005, 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, 2005, 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.

2113 Warner Circle, Santa Fe, New Mexico 87505-5499
(505) 476-3800 (800) 432-5517 Fax (505) 827-3512
<http://www.saonm.org>

In accordance with *Government Auditing Standards*, we have also issued a report dated April 21, 2006 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.

Office of the State Auditor

OFFICE OF THE STATE AUDITOR

April 21, 2006

STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF NET ASSETS
 JUNE 30, 2005

Exhibit 1

	Governmental Activities
Assets	
Investments	\$ 32,062
Accounts receivable	39,037
Restricted cash	1,879
Capital assets, net	16,918
Total assets	89,896
Liabilities	
Cash overdraft	6,348
Accounts payable	4,942
Deferred revenue	1,879
Total liabilities	13,169
Net Assets	
Invested in capital assets	16,918
Restricted for conservation projects	1,879
Unrestricted	57,930
Total net assets	\$ 76,727

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, 2005

Exhibit 2

	Governmental Activities
Program Expenses:	
Conservation:	\$
Personnel services	27,872
Legal Advertisements	788
Bonding expense	100
Dues	2,175
Postage	1,055
Travel and per diem	7,212
Supplies/administration	3,563
Storage and meeting room rental	2,125
Equipment expenses	1,263
Special projects	6,213
Building construction potential	14
NMFA Health Restoration project	84,205
State Forestry projects	33,134
NMFA Watershed Health project	119,506
NFWF Workshop project	5,500
NFWF Noxious weed project	3,171
Depreciation expense	1,086
Total program expenses	298,982
Program Revenues:	
Charges for services	12,015
Federal operating grants and contracts	12,197
State operating grants and contracts	240,585
Total program revenues	264,797
Net program (expense) revenue	(34,185)
General Revenues:	
State allotment	9,775
Property taxes	27,253
Miscellaneous	1,138
Interest	900
Total general revenues	39,066
Change in net assets	4,881
Net assets at beginning of year	71,846
Net assets at end of year	\$ 76,727

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

STATE OF NEW MEXICO
 CLAYTON-PINTO SOIL AND WATER CONSERVATION DISTRICT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2005

Exhibit 3

		General Fund
Assets		
Investments	\$	32,062
Accounts receivable		39,037
Restricted cash		1,879
Total assets	\$	<u>72,978</u>
Liabilities and fund balance		
Liabilities:		
Cash overdraft	\$	6,348
Accounts payable		4,942
Deferred revenue		1,879
Total liabilities		<u>13,169</u>
Fund balance:		
Unreserved, designated for subsequent year's expenditures		33,475
Unreserved, undesignated		26,334
Total fund balance		<u>59,809</u>
Total liabilities and fund balance	\$	<u><u>72,978</u></u>

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

STATE OF NEW MEXICO
CLUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
FINANCIAL STATEMENT RECONCILIATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS:

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 (Exhibit 3)	\$ 59,809
Capital assets, net of accumulated depreciation	<u>16,918</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 76,727</u></u>

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, 2005

Exhibit 4

	General Fund
Revenues	
State allotment	9,775
Property taxes	27,253
Torrance County Allotment	1,740
Lincoln County Allotment	2,000
Interest income	900
NMFA Health Restoration reimbursement grant	84,205
State Forestry reimbursement grant	33,134
NMFA Watershed Health reimbursement grant	119,506
NFWF Workshop reimbursement grant	5,500
NFWF Noxious weed project reimbursement grant	6,696
Reimbursements - grant administration fees	12,015
Miscellaneous revenue	1,138
Total revenues	303,862
Expenditures	
Conservation:	
Current:	
Personnel services	27,871
Legal Advertisements	788
Bonding expense	100
Dues	2,175
Postage	1,055
Travel and per diem	7,212
Supplies/administration	3,563
Storage and meeting room rental	2,125
Equipment expenses	1,263
Special projects	6,213
Building construction potential	14
NMFA Health Restoration project	84,205
State Forestry projects	33,134
NMFA Watershed Health project	119,506
NFWF Workshop project	5,500
NFWF Noxious weed project	3,171
Capital outlay	7,290
Total expenditures	305,185
Net change in fund balance	(1,323)
Fund balance beginning of year as reported	69,707
Restatement	(8,575)
Fund balance beginning of year as restated	61,132
Fund balance end of year	\$ 59,809

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

STATE OF NEW MEXICO
 CLAYTON-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, 2005

Exhibit 5

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
State allotment	\$ 9,820	\$ 9,820	\$ 9,775	\$ (45)
Property tax	28,975	28,975	27,057	(1,918)
Torrance County Allotment	2,000	2,000	2,000	-
Socorro County Allotment	2,000	2,000	-	(2,000)
Lincoln County Allotment	2,000	2,000	2,000	-
Interest income	2,000	2,000	900	(1,100)
Advertising income	2,000	2,000	-	(2,000)
NMFA Loan Proceeds	155,000	155,000	-	(155,000)
Grant revenues	810,000	810,000	227,059	(582,941)
Reimbursements - grant administration fees	-	-	12,015	12,015
Miscellaneous revenue	-	-	1,138	1,138
Total revenues	<u>1,013,795</u>	<u>1,013,795</u>	<u>281,944</u>	<u>\$ (731,851)</u>
Cash balance budgeted	33,475	33,475		
Total	<u>\$ 1,047,270</u>	<u>\$ 1,047,270</u>		
Expenditures				
Current:				
Personnel services	\$ 21,000	\$ 21,173	\$ 25,334	\$ (4,161)
Legal Advertisements	600	788	788	0
Bonding expense	100	100	100	-
Dues	2,475	2,475	2,175	300
Postage	2,000	2,000	1,156	844
Newsletter	2,000	861	-	861
Forestry camp	145	145	-	145
Travel and per diem	6,500	6,500	7,686	(1,186)
Supplies/administration	2,000	2,000	3,563	(1,563)
Storage and meeting room rental	2,250	2,250	2,125	125
Equipment expenses	3,000	3,778	5,028	(1,250)
Accounts payable	500	500	-	500
Public relations	750	750	-	750
Special projects	6,000	6,000	6,302	(302)
Building construction potential	25,000	25,000	14	24,986
Purchase of property and related expenses	155,000	155,000	-	155,000
Miscellaneous grant expenses	810,000	810,000	249,041	560,959
Debt payment-Principal on Bishop property	7,950	7,950	-	7,950
Total expenditures	<u>\$ 1,047,270</u>	<u>\$ 1,047,270</u>	<u>\$ 303,312</u>	<u>\$ 743,958</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, 2005

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, two 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). The District, a phase three government, was required to implement GASB Statement 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* in fiscal year 2004. To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and

STATE OF NEW MEXICO
CLAUUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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 such as charges for administration fees; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The government-wide financial 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:

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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.

D. Assets, Liabilities, Net Assets and Fund Balance

1. Cash and Investments

The District's cash is considered to be demand deposits.

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's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Accounts Receivable

The District's accounts receivable consists of grants from the State Forestry for the Claunch-Pinto Wildland Urban Interface, the National Fish and Wildlife Foundation for Noxious Weed Control Program and from Torrance, Socorro and Lincoln County for property taxes. The taxes are collected by the respective county treasurer and are remitted to the District in the month following collection.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

3. Restricted Assets

Grant proceeds for the following grants: Watershed Health Grant, National Fish and Wildlife Foundation Grant, the Natural Resources Conservation Service EQIP Grant, and State Forestry Grant are classified as restricted assets on the balance sheet because their use is limited by the grant terms.

4. Capital Assets

Capital assets, which include property, equipment (including software), and (list other items as applicable) 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 \$1,000 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. There was no infrastructure required to be capitalized and depreciated under GASB Statement 34. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized.

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

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

5. Accounts Payable

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

6. Compensated Absences

As of June 30, 2005 the District employee was not covered under any formal vacation or sick leave policy.

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

STATE OF NEW MEXICO
CLALUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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 reservation of fund balance.

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. (Describe any significant budget adjustments made during the fiscal year.) 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, 2005

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

	General Fund
Non-GAAP revenues (Exhibit 5)	\$ 281,944
Prior year receivables	(17,119)
Current year receivables	39,037
GAAP revenues (Exhibit 4)	<u>\$ 303,862</u>
Non-GAAP expenditures (Exhibit 5)	\$ 303,312
Prior year payable	(3,069)
Current year payable	4,942
GAAP expenditures (Exhibit 4)	<u>\$ 305,185</u>

III. Detailed Notes on all Funds

A. Cash and Investments

As of June 30, 2005, the District had a cash overdraft of (\$6,348). The bank balances for deposits were \$36,825. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$43,173. The total bank balance of \$36,825 consisted of the following:

<u>The Bank of Belen</u>	
Demand deposits	\$ 36,825
Less: FDIC coverage	<u>(36,825)</u>
Amount uninsured	<u>\$ -0-</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2005 the District's bank balance was not exposed to custodial credit risk since it is fully insured by the FDIC.

As of June 30, 2005, the District had an investment of \$33,916 with the State Treasurer's Local Government Investment Pool. The investment is reported at fair value. The State Treasurer's Government Investment Pool is not SEC

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

registered. 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, 2005.

B. Accounts Receivable

The District had accounts receivable of \$39,037 consisting of \$33,134 due from State Forestry for the Claunch-Pinto Wildland Urban Interface, \$5,500 due from the National Fish and Wildlife Foundation for Noxious Weed Control Program and \$403 due from Torrance County for property taxes. These amounts are considered fully collectible.

C. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

Description	Balance		Additions	Deletions	Balance	
	06/30/04	06/30/05			06/30/04	06/30/05
Land	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000	
Office Equipment	-	7,290	-	-	7,290	
Computer equipment	2,143	-	-	-	2,143	
Sub-totals	12,143	7,290	-	-	19,433	
Less: Accumulated Depreciation	1,429	1,086	-	-	2,515	
Net capital assets	<u>\$ 10,714</u>	<u>\$ 6,204</u>		<u>\$ -</u>	<u>\$ 16,918</u>	

D. Restatement

The District restated the prior year fund balance by \$8,575. The fund balances were reclassified to deferred revenue for the unspent grant funds.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

E. Reconciliation of Beginning Fund Balance to Beginning Net Assets

As required by the implementation of GASBS 34, beginning net assets as reported in the Statement of Net Assets was determined as follows:

Ending fund balance as of June 30, 2004 as previously reported	\$ 69,707
Reclassification of fund balances to notes receivable	<u>(8,575)</u>
Ending fund balance as of June 30, 2004 as restated	61,132
Capital assets as of June 30, 2004, net of accumulated depreciation	10,714
Long-term debt as of June 30, 2004	-0-
Beginning net assets as of July 1, 2004	<u>\$ 71,846</u>

IV. Other Information

A. Employee Retirement Benefits

Plan Description. Substantially all of the District's one full time employee participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides 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, 2005, 2004, and 2003 are \$1,398, \$1,230, and \$917 respectively. Late payments for the fiscal year ended 2005 were made in the amount of \$1,243.

B. Post-Employment Benefits

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

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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 \$10,000 surety bond. 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

OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

Carl M. Baldwin, CPA, CFE
Deputy State Auditor

Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

Mr. Felipe Lovato, Jr., Chair
and Members of the Board of Supervisors
Claunch-Pinto Soil and Water Conservation District
PO 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, 2005 and have issued our report dated April 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and recommendations as items 03-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely

2113 Warner Circle, Santa Fe, New Mexico 87505-5499
(505) 476-3800 (800) 432-5517 Fax (505) 827-3512

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period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items 00-1 and 04-1.

This report is intended solely for the information and use of management, the New Mexico Office of the State Auditor, the New Mexico State University - Department of Agriculture, the state legislature and grantors and is not intended to be and should not be used by anyone other than these specified parties.

Office of the State Auditor

OFFICE OF THE STATE AUDITOR

April 21, 2006

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2005

STATUS OF PRIOR YEAR AUDIT FINDINGS

- 00-1. Incorrect Payroll Reporting – Not resolved and repeated in current year.
- 03-1. Unauthorized Pay Rate – Not resolved and repeated in current year.
- 04-1. Incorrect PERA Contributions – Not resolved and repeated in current year.
- 04-2. Unsigned Expenditure Vouchers – Resolved and not repeated in current year.
- 04-3. Payroll Ledger – Resolved and not repeated in current year.
- 04-4. DFA Quarterly Report – Resolved and not repeated in current year.

CURRENT YEAR AUDIT FINDINGS

Finding 00-1: Incorrect Payroll Reporting.

Condition

A review of Forms 941, Employer's Quarterly Federal Tax Return, for the fiscal year July 1, 2003 through June 30, 2004 revealed that the District is withholding or calculating and paying Social Security taxes erroneously by \$3,382.

Criteria

The Internal Revenue Code and sound accounting practices require the accurate reporting and payment of payroll taxes.

Effect

The District may be subject to penalties or incorrect reporting and underpayment of tax.

Cause

The Administrative Assistant thought that because of her membership in the Public Employees Retirement Association (PERA), she was exempt from paying Social Security Tax.

Recommendation

The District should ensure that Social Security Tax is withheld and paid each quarter.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2005

District's Response

The District is aware of requirement and is currently following recommendations. The District concurs with the Office of the State Auditor finding and District will rectify the situation.

Finding 03-1: Unauthorized Pay Rate

Condition

On January 6, 2004, the Claunch-Pinto SWCD Board of Supervisors approved payment of \$3,325 to the District Administrator from the Water Trust Grant. The approved amount was to be paid over the period of the grant. As of June 30, 2004, \$3,632 had been paid. This amount exceeds the amount approved by the Board. For the fiscal year ended June 30, 2005, \$4,121 had been paid.

Criteria

All salary and wage payments must be approved by the board and cannot be exceeded without the Board's express approval.

Effect

The District Administrator was paid an excess of \$307 for the Water Trust Grant for the fiscal year.

Cause

The Board agreed to pay the administrative assistant a lump sum for administering the Water Trust Grant over the period of the grant. The administrative assistant calculated the payment by hours per month. No mechanism was established to ensure that the aggregate total of payments did not exceed the amount approved by the Board.

Recommendation

The District should establish a procedure or mechanism by which the District Administrator can ensure that payments do not exceed approved amounts.

Department Response

The District will make compensation agreements more detailed within the meeting minutes.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2005

Finding 04-1: Incorrect PERA contributions

Condition

A Review of payment vouchers and payroll documents revealed that the total contributions to PERA were less than the required amount by \$220.60. Also, in the fiscal year ended 6-30-2005, some payments were not made in a timely manner.

Criteria

Participants in PERA are required to contribute 7% of gross payroll through payroll deductions. Employers are required to match the employees contribution.

Effect

The District may be subject to penalties for incorrect reporting and payment.

Cause

The administrative assistant inadvertently failed to report correctly.

Recommendation

We recommend that the District reconcile PERA payments to gross wages.

Department Response

The District prepared an amended report and payment for \$220.60 at the time of the exit conference. For the fiscal year ended 6-30-2005, the District prepared amended reports and made payments by the time of the exit conference. The District will rectify the situation by making payments in a timely manner in the future.

Financial Statement Preparation

The accompanying financial statements were prepared by the Office of the State Auditor. However, the contents remain the responsibility of the District.

Exit Conference

On April 21, 2006, an exit conference was held at the District Office with Mr. Felipe Lovato, Jr., Chairman and Ms. Dierdre Tarr, District Manager of the Claunch-Pinto Soil and Water Conservation District. Representing the Office of the State Auditor was Chan Kim, CPA, Audit Manager.