



# **OFFICE OF THE STATE AUDITOR**

**Hector H. Balderas**

**STATE OF NEW MEXICO**

**CLAUNCH-PINTO**

**SOIL AND WATER CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS**

**Fiscal Year Ended June 30, 2006**

**(With Independent Auditor's Report Thereon)**

**8010**

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

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JUNE 30, 2006

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

OFFICIAL ROSTER  
JUNE 30, 2006

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



## **OFFICE OF THE STATE AUDITOR**

**Hector H. Balderas**

### **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, 2006, 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, 2006, 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 May 23, 2007 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  
May 23, 2007

STATE OF NEW MEXICO  
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2006

	Governmental Activities
<b>Assets</b>	
Cash	\$ 26,188
Investments	19,819
Accounts receivable	9,376
Restricted cash	75,455
Capital assets, net	46,737
<b>Total assets</b>	<b>177,575</b>
<b>Liabilities</b>	
Accounts payable	5,882
Deferred revenue	75,455
<b>Total liabilities</b>	<b>81,337</b>
<b>Net Assets</b>	
Invested in capital assets	46,737
Unrestricted	49,502
<b>Total net assets</b>	<b>\$ 96,239</b>

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, 2006

	Governmental	
	Activities	
<b>Program Expenses:</b>		
Conservation:		
Personnel services	\$	33,508
Legal advertisements		1,013
Bonding expense		100
Dues		1,475
Postage		1,386
Travel and per diem		12,377
Supplies/administration		4,130
Storage and meeting room rental		2,125
Equipment expenses		635
Public relations		589
Special projects		1,319
Upper Rio Grande Riparian Restoration project		9,866
Upper Rio Grande Phreatophyte project		9,093
Abo Watershed Salt Cedar Control project		19,738
NMFA Watershed Health Restoration project		375,527
State Forestry Wildland and Urban Interface project		36,444
NFWF Workshop project		2,473
NFWF Noxious weed project		2,113
Depreciation expense		4,774
Total program expenses		518,685
<b>Program Revenues:</b>		
Charges for services		30,462
Federal operating grants and contracts		2,473
State operating grants and contracts		462,985
Total program revenues		495,920
Net program (expense) revenue		<u>(22,767)</u>
<b>General Revenues:</b>		
State allocation		9,944
Property taxes		30,505
Miscellaneous		813
Interest		1,017
Total general revenues		42,279
Change in net assets		19,512
Net assets at beginning of year		<u>76,727</u>
Net assets at end of year	\$	<u><u>96,239</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  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2006

	General Fund
<b>Assets</b>	
Cash	\$ 26,188
Investments	19,819
Accounts receivable	9,376
Restricted cash	75,455
<b>Total assets</b>	<b><u>\$ 130,839</u></b>
<b>Liabilities and fund balance</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 5,882
Deferred revenue	75,455
<b>Total liabilities</b>	<b><u>81,337</u></b>
<b>Fund balance:</b>	
Unreserved, designated for subsequent year's expenditures	-
Unreserved, undesignated	49,502
<b>Total fund balance</b>	<b><u>49,502</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 130,839</u></b>

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, 2006

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

Fund Balance - Balance Sheet (Exhibit 3)	\$ 49,502
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds	
Capital assets, net of accumulated depreciation	<u>46,737</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 96,239</u></u>

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

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, 2006

	General Fund
<b>Revenues</b>	
State allocation	\$ 9,944
Property taxes	30,505
NMDA Upper Rio Grande Phreatophyte grant	9,093
State Forestry Wildland and Urban Interface grant	22,569
State Forestry Equipment grant	28,000
NMDA Upper Rio Grande Monitoring grant	10,000
NMDA Abo Watershed Salt Cedar Control grant	18,933
NMDA Upper Rio Grande Riparian Restoration grant	9,866
NMFA Watershed Health Restoration reimbursement grant	364,523
NFWF Workshop reimbursement grant	2,473
Reimbursement for Abo salt cedar control project	10,432
Reimbursements - grant administration fees	20,030
Interest income	1,017
Miscellaneous revenue	813
<b>Total revenues</b>	<b>538,198</b>
<b>Expenditures</b>	
Conservation:	
Current:	
Personnel services	33,508
Legal advertisements	1,013
Bonding expense	100
Dues	1,475
Postage	1,386
Travel and per diem	12,377
Supplies/administration	4,130
Storage and meeting room rental	2,125
Equipment expenses	635
Public relations	589
Special projects	1,319
Upper Rio Grande Riparian Restoration project	9,866
Upper Rio Grande Phreatophyte project	9,093
Abo Watershed Salt Cedar Control project	19,738
NMFA Watershed Health Restoration project	375,527
State Forestry Wildland and Urban Interface grant	36,444
NFWF Workshop project	2,473
NFWF Noxious weed project	2,113
Capital outlay	34,593
<b>Total expenditures</b>	<b>548,504</b>
Net change in fund balance	(10,307)
Fund balance beginning of year	59,809
Fund balance end of year	\$ 49,502

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 Revenues, Expenditures and Changes in Fund Balance -  
 Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2006

Net change in fund balance - Governmental Funds (Exhibit 4)                   \$ (10,307)

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	34,593
Depreciation expense	<u>(4,774)</u>

Change in net assets - Statement of Activities (Exhibit 2)	<u><u>\$ 19,512</u></u>
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STATE OF NEW MEXICO  
 CLAUUNCH-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, 2006

Exhibit 5

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
State allocation	\$ 9,820	\$ 9,820	\$ 9,944	\$ 124
Property taxes	28,975	28,975	30,569	1,594
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	1,017	(983)
Advertising income	2,000	2,000	-	(2,000)
NMFA Loan Proceeds	155,000	155,000	-	(155,000)
Grant revenues	810,000	810,000	599,093	(210,907)
Miscellaneous revenue	-	-	813	813
<b>Total revenues</b>	<u>1,013,795</u>	<u>1,013,795</u>	<u>\$ 641,436</u>	<u>\$ (372,359)</u>
Cash balance budgeted	33,475	33,476		
<b>Total revenues and cash balance budgeted</b>	<u>\$ 1,047,270</u>	<u>\$ 1,047,271</u>		
<b>Expenditures</b>				
<b>Current:</b>				
Personnel services	\$ 21,000	\$ 21,174	\$ 32,892	\$ (11,718)
Legal Advertisements	600	788	1,013	(225)
Bonding expense	100	100	100	-
Dues	2,475	2,475	1,475	1,000
Postage	2,000	2,000	1,386	614
Newsletter	2,000	861	-	861
Forestry camp	145	145	-	145
Travel and per diem	6,500	6,500	12,053	(5,553)
Supplies/administration	2,000	2,000	4,130	(2,130)
Storage and meeting room rental	2,250	2,250	2,125	125
Equipment expenses	3,000	3,778	635	3,143
Accounts payable	500	500	-	500
Public relations	750	750	589	161
Special projects	6,000	6,000	1,319	4,681
Building construction potential	25,000	25,000	-	25,000
Purchase of property and related expenses	155,000	155,000	5,000	150,000
Miscellaneous grant expenses	810,000	810,000	484,847	325,153
Debt payment-Principal on Bishop property	7,950	7,950	-	7,950
<b>Total expenditures</b>	<u>\$ 1,047,270</u>	<u>\$ 1,047,271</u>	<u>\$ 547,564</u>	<u>\$ 499,707</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

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**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 (Section 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). 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 the 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.

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

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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.

**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, grants 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.

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

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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.

The District's investments consist of the deposits in the State Treasurer's Local Government Investment Pool which is administered in accordance with appropriate state laws and regulations.

**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 the Noxious Weed Control Program and from Torrance, Socorro and Lincoln County for property taxes. 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.

**3. Restricted Cash**

Grant proceeds for the following grants: Watershed Health Grant, National Fish and Wildlife Foundation Grant, Upper Rio Grande Phreatophyte Project, and State Forestry Grant are classified as restricted assets on the balance sheet because their use is limited by the grant terms.

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

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

4. 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.

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, 2006 the District did not provide its employee with any vacation or sick leave benefits.

7. 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 a specific purpose. The District had no fund balance reservations at fiscal year-end.



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

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**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, 2006

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

	General Fund
Non-GAAP revenues (Exhibit 5)	\$ 641,435
Prior year receivables	(39,037)
Prior year deferred revenues	1,879
Current year receivables	9,376
Current year deferred revenues	(75,455)
GAAP revenues (Exhibit 4)	<u>\$ 538,198</u>
Non-GAAP expenditures (Exhibit 5)	\$ 547,564
Prior year payable	(4,943)
Current year payable	5,882
GAAP expenditures (Exhibit 4)	<u>\$ 548,503</u>

**III. Detailed Notes on all Funds**

**A. Cash and Investments**

As of June 30, 2006, the District had a carrying amount of deposits of \$101,619. The bank balances for deposits were \$142,438. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$50,819 and deposits in transit of \$10,000. The total bank balance of \$142,438 consisted of the following:

<u>The Bank of Belen</u>	
Demand deposits (checking account)	\$ 142,438
Less: FDIC coverage	(100,000)
Amount uninsured	<u>\$ 42,438</u>
Pledged securities at fair market value	\$ 24,313
50% collateral requirement	21,219
Over (Under) Collateralized	<u>\$ 3,094</u>

The following is a description of the pledged collateral that is held under joint safekeeping receipts in the name of the District at The Independent Banker's

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

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

Bank in Dallas, Texas: FFCB, CUSIP #31331Q7C5, face value \$25,000, market value \$24,313 and a maturity date of 08/13/2007.

*Custodial Credit Risk* – Deposits. Custodial Credit Risk is the risk that in the event of bank failure certain cash balances which are uninsured could be lost. The District does not have a deposit policy for custodial credit risk. As of June 30, 2006, \$18,125 of the District's bank balance of \$142,438 is subject to custodial credit risk because it was uninsured and uncollateralized.

As of June 30, 2006, the District had an investment of \$19,819 with the State Treasurer's Local Government Investment Pool (LGIP). The investment is reported at fair value. The State Treasurer's Government Investment Pool is not SEC 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, 2006.

*Interest Rate Risk* – The District does not have a deposit policy for interest rate risk. The District informally manages its exposure to declines in fair values by limiting its investment portfolio to securities with a relative short weighted average maturity. The weighted average maturity of the LGIP was 44 days as of June 30, 2006.

*Credit Risk* – State law limits the District's investments to bonds or negotiable securities of the United States, the State of New Mexico, or a county, municipality or school district that meet certain criteria. The District has no investment policy that would further limit its investment choices. The LGIP was rated AAAm by Standard & Poor's.

**B. Accounts Receivable**

The District had accounts receivable of \$9,376 consisting of \$1,064 due from the NM State Forestry Division for the Claunch-Pinto Wildland Urban Interface, \$7,973 due from the National Fish and Wildlife Foundation for Noxious Weed Control Program and \$339 due from property taxes. All accounts receivable are collectible within a year.

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

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

Description	Balance		Deletions	Balance	
	06/30/05	Additions		06/30/06	
Land	\$ 10,000	\$ 5,000	\$ -	\$ 15,000	
Office equipment	7,290	-	-	7,290	
Farm equipment	-	29,593	-	29,593	
Computer equipment	2,143	-	-	2,143	
Totals at historical cost	19,433	34,593	-	54,026	
Less: Accumulated depreciation for					
Office equipment	(729)	(1,458)	-	(2,187)	
Farm equipment	-	(2,959)	-	(2,959)	
Computer equipment	(1,786)	(357)	-	(2,143)	
Total accumulated depreciation	(2,515)	(4,774)	-	(7,289)	
Net capital assets	<u>\$ 16,918</u>	<u>\$ 29,819</u>	<u>\$ -</u>	<u>\$ 46,737</u>	

The District's depreciation expense of \$4,774 was charged to the conservation function.

**IV. Other Information**

**A. Employee Retirement Benefits**

*Plan Description.* Substantially all of the District's employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides 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.

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

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

*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, 2006, 2005, and 2004 are \$2,628, \$1,398, and \$1,230 respectively. Late payments of \$482 for the fiscal year ended 2005 were included in the fiscal year ended 2006.

**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 \$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.



# **OFFICE OF THE STATE AUDITOR**

**Hector H. Balderas**

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, 2006 and have issued our report dated May 23, 2007. 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 errors 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 period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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  
May 23, 2007

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2006

STATUS OF PRIOR YEAR AUDIT FINDINGS

- 00-1. Incorrect Payroll Reporting – Resolved and not repeated in current year.
- 03-1. Unauthorized Pay Rate – Resolved and not repeated in current year.
- 04-1. Incorrect PERA Contributions – Resolved and not repeated in current year.

CURRENT YEAR AUDIT FINDINGS

None.

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 May 23, 2007, an exit conference was held at the District Office with Mr. Felipe Lovato, Jr., Chairman, Mr. J. Brian Greene, Secretary/Treasurer, Randy Simmons, Supervisor 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.