

**State of New Mexico  
Claunch-Pinto Soil and Water Conservation District  
Audited Financial Statements  
June 30, 2008**

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

State of New Mexico  
 Claunch-Pinto Soil and Water Conservation District  
 June 30, 2008

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## Introductory Section

State of New Mexico  
Claunch-Pinto Soil and Water Conservation District  
June 30, 2008

Board of Supervisors

Position

Felipe Lovato

Chairperson

William Caster

Vice-Chairperson

Brian Green

Secretary/Treasurer

Richard Shovelin

Supervisor

LeRoy Candelaria

Supervisor

Randy Simmons

Supervisor

William Hignight

Supervisor

District Personnel

Title

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

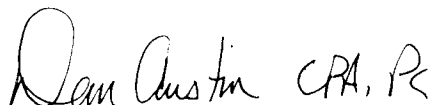
We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Claunch-Pinto Soil and Water Conservation District(District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic 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, 2008, 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 June 18, 2009 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.



June 18, 2009

STATE OF NEW MEXICO  
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2008

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 134,806
Investments	21,816
Accounts receivable	69,594
Capital assets, Net	232,563
 Total assets	 458,779
<b>Liabilities</b>	
Accounts payable	3,445
Deferred Income	1,904
Noncurrent liabilities:	
Due within one year	11,831
Due in more than one year	180,450
 Total liabilities	 197,630
<b>Net Assets</b>	
Invested in capital assets	232,563
Unrestricted	28,586
 Total net assets	 \$ 261,149

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, 2008

	Governmental Activites
<b>Program Expenses:</b>	
Conservation:	
Current:	
Personnel Services	78,972
Legal Advertisements	872
Bonding Expense	100
Dues	1,465
Postage	2,146
Newsletter and Meetings	2,171
Mileage and Per Diem	10,410
Supplies and Administration	6,420
Storage and Meeting Room Rental	2,880
Capital Outlay	2,576
Equipment Maintenance	9,281
Public Relations	2,683
Special Projects	9,126
Depreciation expenses	7,377
Grant Expense:	
Water Trust Grants	366,937
State Forestry-Wildland Urban Interface	84,621
NFWF Noxious Weed Grant	18,095
New Mexico Capital Outlay	7,275
EW Protection Program	73,199
NMDA Upper Rio Grand Phreatophyte	130,650
NMDA Upper Rio Grande Riparian Restoration	96,346
	913,602
Total program expenses	
<b>Program Revenues:</b>	
Charges for services	112,444
State operating grants and contracts	861,072
Federal operating grants and contracts	30,000
Reimbursements	33,293
	1,036,809
Total program revenues	
Net program (expense) revenue	123,207
<b>General Revenues:</b>	
State appropriation	10,980
Property taxes	38,734
Other income	120
Interest	1,316
	51,150
Total general revenues	
Change in net assets	174,357
Net assets at beginning of year	86,792
Net assets at end of year	\$ 261,149

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, 2008

		General Fund
<b>Assets</b>		
Cash and cash equivalents	\$	134,806
Investments		21,816
Accounts receivable		69,594
Total assets	\$	226,216
 <b>Liabilities and fund balance</b>		
Liabilities:		
Accounts payable	\$	3,445
Deferred Income		1,904
Total liabilities		5,349
Fund balance:		
Unreserved, undesignated		220,867
Total fund balance		220,867
Total liabilities and fund balance	\$	226,216

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

STATE OF NEW MEXICO  
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT  
 FINANCIAL STATEMENT RECONCILIATIONS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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	\$	220,867
Capital assets, net of accumulated depreciation		232,563
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Long-term debt	\$ (189,712)	
Compensated absences	<u>(2,569)</u>	<u>(192,281)</u>
Net Assets - Statement of Net Assets (Exhibit 1)	\$	<u><u>261,149</u></u>

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

STATE OF NEW MEXICO  
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

		General Fund
<b>Revenues</b>		
State Appropriation	\$	10,980
Mill levy		38,734
Grant Administration		101,791
Interest Income		1,316
Equipment Rental		10,653
Reimbursements		33,293
Other Income		120
Grant Income:		
Water Trust Grants		411,759
State Forestry-Wildland Urban Interface		50,000
NFWF Noxious Weed Grant		30,000
New Mexico Capital Outlay		7,275
EW Protection Program		83,330
NMDA Upper Rio Grand Phreatophyte		212,362
NMDA Upper Rio Grande Riparian Restoration		96,346
Total revenues		1,087,959
<b>Expenditures</b>		
Conservation:		
Current:		
Personnel Services		78,431
Legal Advertisements		872
Bonding Expense		100
Dues		1,465
Postage		2,146
Newsletter and Meetings		2,171
Mileage and Per Diem		10,410
Supplies and Administration		6,420
Storage and Meeting Room Rental		2,880
Capital Outlay-Equipment		2,576
Capital Outlay-Land		181,688
Equipment Maintenance		9,281
Public Relations		2,683
Special Projects		9,126
Grant Expense:		
Water Trust Grants		366,937
State Forestry-Wildland Urban Interface		84,621
NFWF Noxious Weed Grant		18,095
New Mexico Capital Outlay		7,275
EW Protection Program		73,199
NMDA Upper Rio Grand Phreatophyte		130,650
NMDA Upper Rio Grande Riparian Restoration		96,346
Total expenditures		1,087,372
Excess (Deficiency) of Revenues Over Expenditures		587
Other Financing Sources (Uses)		
NMFA Loan Proceeds		189,712
Net Other Financing Sources (Uses)		189,712
Net Change in Fund Balance		190,299
Fund balance beginning of year as reported		30,568
Fund balance end of year	\$	220,867

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 -  
 Government Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2008

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

Net change in fund balance - Governmental Funds		\$ 190,299
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		(189,712)
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:		(541)
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	\$ 181,688	
Depreciation expense	(7,377)	174,311
Change in net assets - Statement of Activities		<u>\$ 174,357</u>

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

STATE OF NEW MEXICO  
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
State Appropriation	\$ 9,820	\$ 9,820	\$ 10,980	\$ 1,160
Mill levy	38,650	38,650	38,932	282
Capital Outlay-State	200,000	200,000	-	(200,000)
Grant Administration	163,013	163,013	101,792	(61,221)
Interest income	6,825	6,825	1,316	(5,509)
NMFA Loan Proceeds	1,260,000	1,260,000	189,712	(1,070,288)
Grant Revenues	3,200,000	3,200,000	801,368	(2,398,632)
Equipment Rental	4,000	4,000	10,653	6,653
Reimbursements	-	-	33,293	33,293
Miscellaneous Income	-	-	120	120
<b>Total revenues</b>	<u>4,882,308</u>	<u>4,882,308</u>	<u>1,188,166</u>	<u>(3,694,142)</u>
<b>Expenditures</b>				
Current:				
Personnel Services	\$ 70,958	\$ 70,958	\$ 78,431	\$ (7,473)
Legal Advertisements	1,000	1,000	753	247
Bonding Expense	100	100	100	-
Dues	2,475	2,475	1,465	1,010
Postage	2,150	2,150	2,146	4
Newsletter and Meetings	2,000	2,000	2,171	(171)
Mileage and Per Diem	12,000	12,000	10,240	1,760
Supplies-Administration	4,500	4,500	6,384	(1,884)
Storage and Meeting Room Rental	2,500	2,500	2,880	(380)
Capital Outlay-Equipment	15,000	15,000	2,576	12,424
Equipment Maintenance	9,000	9,000	9,281	(281)
Accounts Payable	500	500	-	500
Public Relations	1,000	1,000	3,203	(2,203)
Special Projects	8,000	8,000	9,126	(1,126)
Capital Outlay-Building	1,200,000	1,200,000	-	1,200,000
Capital Outlay-Land	200,000	200,000	181,687	18,313
Grant Expense	3,200,000	3,200,000	777,123	2,422,877
Debt Service-Property	91,150	91,150	-	91,150
<b>Total expenditures</b>	<u>4,822,333</u>	<u>4,822,333</u>	<u>1,087,566</u>	<u>\$ 3,734,767</u>
Excess (Deficiency) of Revenues over Expenditures	59,975	59,975	<u>\$ 100,600</u>	
Cash Balance, Beginning	58,729	58,729		
Cash Balance, Ending	<u>\$ 118,704</u>	<u>\$ 118,704</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, 2008**

**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, 2008**

**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, 2008**

**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 (three certificates of deposit) with original maturities of fourteen months or less from the date of acquisition.

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, 2008.

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, 2008**

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, 2008**

**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	\$ 1,188,166
Prior year receivables	(66,710)
Current year receivables	69,594
Change in Deferred Income	86,621
GAAP revenues	<u>\$ 1,277,671</u>
Non-GAAP expenditures	\$ 1,087,566
Prior year payable	(3,639)
Current year payable	3,445
GAAP expenditures	<u>\$ 1,087,372</u>

**State of New Mexico  
 Claunch-Pinto Soil and Water Conservation District  
 Notes to the Financial Statements  
 June 30, 2008**

**III. Detailed Notes on all Funds**

**A. Cash and Investments**

As of June 30, 2008, the District had a carrying amount of deposits of \$134,806. The bank balances for deposits were \$212,899. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$78,093. The total bank balance of \$212,899 consisted of the following:

MY Bank

Demand deposits	\$ 203,165
Less: FDIC coverage	<u>(100,000)</u>
Amount uninsured	<u>\$ 103,165</u>
Pledged securities at fair market value	\$ 101,496
50% collateral requirement	<u>(51,582)</u>
Over(Under) Collateralized	<u>\$ 49,914</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 Bank in Dallas, TX. FHLB, Cusip 3133XHPU0, Maturity 11/14/08, Receipt 084667, Par \$100,000, Market Value \$101,496.

Bank of Albuquerque

Demand deposits	\$ 9,734
Less: FDIC coverage	<u>(9,734)</u>
Amount uninsured	<u>\$ 0</u>

*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. None of the District's deposits are subject to custodial credit risk.

As of June 30, 2008, the District had an investment of \$21,816 with the State Treasurer's Local Government Investment Pool.

*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, 2008.

*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.

**State of New Mexico**  
**Claunch-Pinto Soil and Water Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2008**

**B. Receivables**

The District had accounts receivable of \$69,594 consisting of \$69,348 due from the New Mexico Finance Authority for Water Trust Board Grants and \$246 due for property taxes.

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

Description	Balance 06/30/07	Additions	Deletions	Balance 06/30/08
Land	\$ 30,200	\$ 181,688	\$ -	\$ 211,888
Construction in Progress	3,692	-	-	3,692
Office equipment	7,290	-	-	7,290
Farm equipment	29,593	-	-	29,593
Computer equipment	2,143	-	-	2,143
Total at historical costs	<u>72,918</u>	<u>181,688</u>	<u>-</u>	<u>254,606</u>
Less: Accumulated depreciation for				
Office equipment	(4,374)	(2,187)	-	(6,561)
Farm equipment	(5,918)	(2,959)	-	(8,877)
Computer equipment	(4,374)	(2,231)	-	(6,605)
Total accumulated depreciation	<u>(14,666)</u>	<u>(7,377)</u>	<u>-</u>	<u>(22,043)</u>
Net capital assets	<u>\$ 58,252</u>	<u>\$ 174,311</u>	<u>\$ -</u>	<u>\$ 232,563</u>

The District's depreciation expense of \$7,377 was charged to the conservation function.

**D. Compensated Absences**

As of June 30, 2008 the District employee had accrued 144 hours of annual leave and compensatory time. Liability accrued for compensated absences is as follows:

	Balance 6/30/07	Increases	Decreases	Balance 6/30/08	Amount due within 1 year
Compensated absences	<u>\$ 2,028</u>	<u>\$ 2,569</u>	<u>\$ (2,028)</u>	<u>\$ 2,569</u>	<u>\$ 2,569</u>

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**E. Long-Term Debt**

Long-term debt outstanding as of June 30, 2008 is as follows:

The annual requirements to amortize debt is as follows:

	6/30/2007	Additions	(Reductions)	6/30/2008	Due in One Year
Note Payable to New Mexico Finance Authority, Due 5/1/2028 for the purpose of acquisition of land. Interest Rate .25%	-	189,712	-	189,712	9,262
	\$ -	\$ 189,712	\$ -	\$ 189,712	\$ 9,262

Year Ending June 30	Principal	Interest	Total
2009	\$ 9,262	\$ 500	\$ 9,762
2010	9,285	451	9,736
2011	9,308	428	9,736
2012	9,332	404	9,736
2013	9,355	382	9,737
2014-2018	47,247	1,550	48,797
2019-2023	47,840	960	48,800
2024-2026	48,083	371	48,454
Total Outstanding	\$ 189,712	\$ 5,046	\$ 194,758

General funds and used to liquidate this debt.

**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+9 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the years ended June 30, 2008, 2007, and 2006 are \$4,364, \$2,750, and \$2,628 respectively, equal to the amount of required contributions each year.

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**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.

## **Other Reports**

**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, 2008, which collectively comprise the East Torrance Soil and Water Conservation District's basic financial statements and have issued our report thereon dated June 18, 2009. 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 as a basis for designing our 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and responses, finding 07-B, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

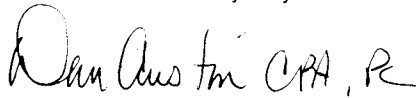


## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the East Torrance 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 tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Audit Standards* and which are described in the accompanying schedule of findings and responses as item 07-A and 07-B.

The 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 District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the 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.



June 18, 2009

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Schedule of Audit Findings, Other Disclosures and Exit conference  
June 30, 2008**

**RESOLUTION OF PRIOR YEAR FINDINGS**

**07-A. Audit Report Submitted Late-Repeated**

**07-B Financial Statement Preparation-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, 2008.

**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 June 30, 2007 audit report was not contracted until after the due date resulting in late completion.

**Effect:** Noncompliance with state law. In addition, users of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc., do not have timely audit reports and financial statements for their review. And, late audit reports could have an effect on state and federal funding.

**Recommendation:** Complete the audit reports in a timely manner.

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

**07-B Financial Statement Preparation**

**Condition:** The District staff does not have the training or technical experience needed to prepare the financial statements for audit.

**Criteria:** SAS 112 and SAO Rule 2.2.2.8 J (4) requires the Auditor to assess the technical capability of District Staff to prepare the District's financial statements.

**Effect:** The District relies and contracts with the IPA in the SAO prepared contract to prepare and audit the District's financial statements.

**Cause:** Lack of technical financial training of the staff and financial concerning in retaining or contractors to prepare the financial statements.

**Recommendation:** Review SAO Rule and SAS 112 requirements and determine if the District can resolve the issue.

**Response:** The District will look into all alternatives to correct this finding.

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**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 neither the time nor the expertise 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 June 26, 2009, an exit conference was held at the District's administrative offices. Present were Felipe Lavoto, Chairman, Diedre Tarr, District Manager, Dan Austin, CPA, representing the audit firm. Reportable conditions for the year ended June 30, 2008, were discussed as well as financial reporting considerations.