

STATE OF NEW MEXICO

CLAUNCH-PINTO
SOIL AND WATER
CONSERVATION DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR-ENDED JUNE 30, 2016



INTRODUCTORY SECTION

**STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
 TABLE OF CONTENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

	Page
INTRODUCTORY SECTION	
Table of contents	i
Official roster	ii
FINANCIAL SECTION	
Independent auditors' report	1-3
Basic financial statements	
Government-wide financial statements:	
Statement of net position	4
Statement of activities	5
Fund financial statements:	
Balance sheet – Governmental funds	6
Reconciliation of the governmental fund balance to the statement of net position	7
Statement of revenues, expenditures, and changes in fund balances – Governmental funds	8
Reconciliation of the statement of revenues, expenditures and changes in fund balances of the governmental funds to the statement of activities	9
Statement of revenues, expenditures, and changes in fund balance – budget (non-GAAP budgetary basis) and actual – General fund	10
Notes to the financial statements	11-31
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of proportionate share of the net pension liability of PERA fund division municipal general Public employees retirement association (PERA) plan	32
Schedule of Contributions Public employees retirement association (PERA) plan PERA municipal general division	33
Notes to Required Supplementary Information	34
OTHER SUPPLEMENTAL INFORMATION	
Schedule of depositories	35
Schedule of pledged collateral by depository	36
Schedule of vendor information	37
COMPLIANCE SECTION	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38-39
Schedule of findings and responses	40
OTHER DISCLOSURES	41

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2016

Board of Supervisors

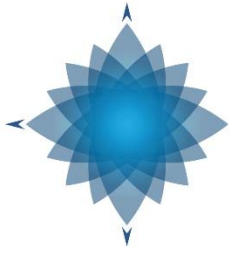
Title

Felipe Lovato, Jr.	Chairperson
William Caster	Vice-Chairperson
Jerry Melaragno	Secretary/Treasurer
Brian J. Green	Supervisor
LeRoy Candelaria	Supervisor
Richard Shovelin	Supervisor
Dan Williams	Supervisor

District Personnel

Dierdre Tarr	District Manager
Vernon Kohler	Technician

FINANCIAL SECTION



Independent Auditor's Report

Timothy Keller,
New Mexico State Auditor and
The Board of Supervisors of
Claunch-Pinto Soil and Water Conservation District
Mountainair, New Mexico

To the Board of Supervisors

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of Claunch-Pinto Soil and Water Conservation District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We did not audit the 2015 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Public Employees Retirement Authority (PERA), the administrator of the cost sharing pension plan for the District. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of proportionate share of the net pension liability and the schedule of contributions and notes to the Required Supplementary Information on pages 32-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements and budgetary comparisons. The schedules required by Section 2.2.2. NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of vendor information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Integrity Accounting + Consulting, LLC

Integrity Accounting & Consulting, LLC
Albuquerque, NM

December 14, 2016

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
As of June 30, 2016

	<u>Governmental Activities</u>
Assets and deferred inflows of resources:	
Assets:	
Cash and cash equivalents	\$ 103,647
Receivables	
Accounts receivable	5,732
Taxes receivable	7,248
Grants receivable	<u>152,137</u>
Total current assets	268,764
Non-current assets:	
Capital assets	1,421,607
Less: Accumulated depreciation	<u>(135,316)</u>
Total non-current assets	<u>1,286,291</u>
Total assets	<u>1,555,055</u>
Deferred Outflows of Resources:	
Employer contributions subsequent to the measurement date	5,702
Investment experience	<u>15,578</u>
Total deferred outflows of resources	<u>21,280</u>
Total assets and deferred outflows of resources	<u>\$ 1,576,335</u>
Liabilities, deferred inflows of resources and net position:	
Liabilities:	
Accounts payable	\$ 173,476
Accrued payroll liabilities	12,007
Current portion of compensated absences	4,049
Current portion of long-term debt	<u>58,793</u>
Total current liabilities	248,325
Non-current liabilities	
Compensated absences	1,012
Notes payable	601,588
Net pension liability	<u>68,312</u>
Total non-current liabilities	<u>670,912</u>
Total liabilities	919,237
Deferred Inflows of Resources:	
Actuarial experience	1,513
Investment experience	15,794
Change of assumption	27
Change of proportion	<u>1,191</u>
Total deferred inflows of resources	18,525
Net position	
Net Investment in Capital Assets	1,159,186
Restricted for debt service	38,117
Unrestricted Net Position	<u>(558,730)</u>
Total net position	<u>638,573</u>
Total liabilities, deferred inflows of resources and net position:	<u>\$ 1,576,335</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2016

<u>Functions/programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes In Net Assets Primary Government</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:				
Governmental activities				
Conservation	\$ 1,921,155	40,688	1,624,720	(255,747)
Interest expense	5,106	-	-	(5,106)
Total governmental activities	1,926,261	40,688	1,624,720	(260,853)
Total primary government				(260,853)
General revenues:				
Taxes				
Property taxes levied for general purposes				72,966
Licenses and permits				780
Interest income				453
Miscellaneous income				190,516
Total general revenue and transfers				264,715
Changes in net assets				3,862
Beginning net position				634,711
Net position, end of year				638,573

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 As of June 30, 2016

	<u>General Fund</u>
Assets and deferred inflows of resources:	
Assets:	
Cash and cash equivalents	\$ 103,647
Receivables	
Accounts receivable	5,732
Taxes receivable	7,248
Grants receivable	<u>152,137</u>
Total assets	<u>268,764</u>
 Deferred Outflows of Resources:	
Total deferred outflows of resources	<u>-</u>
 Total assests and deferred outflows of resources	 \$ <u><u>268,764</u></u>
 Liabilities, deferred inflows of resources and fund balances:	
Liabilities:	
Accounts payable	\$ 173,476
Accrued payroll liabilities	<u>12,007</u>
Total liabilities	<u>185,483</u>
 Deferred Inflows of Resources:	
"Unavailable" revenues	<u>4,915</u>
Total deferred inflows of resources	<u>4,915</u>
 Fund balances:	
Restricted for debt service	38,117
Unassigned	<u>40,249</u>
Total fund balances	<u>78,366</u>
 Total liabilities, deferred inflows of resources and fund balances:	 \$ <u><u>268,764</u></u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
 TO THE STATEMENT OF NET POSITION
 As of June 30, 2016**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - Governmental funds	\$	78,366
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		1,286,291
Delinquent property tax not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred inflows of resources in the fund financial statements, but are considered revenue in the statement of activities.		4,915
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds:		
Deferred outflows of resources related to employer contribution subsequent to the measurement date		5,702
Deferred outflows of resources related to investment experience		15,578
Deferred inflows of resources related to actuarial experience		(1,513)
Deferred inflows of resources related to investment experience		(15,794)
Deferred inflows of resources related to change of assumptions		(27)
Deferred inflows of resources related to change of proportion		(1,191)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:		
Current compensated absences	\$	(4,049)
Noncurrent compensated absences		(1,012)
Current notes payable		(58,793)
Noncurrent notes payable		(601,588)
Net pension liability	\$	<u>(68,312)</u>
		<u>(733,754)</u>
Net position for governmental activities	\$	<u><u>638,573</u></u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2016**

	<u>General Fund</u>
Revenues:	
Taxes	
Property	\$ 68,051
Licenses and permits	780
Charges for services	40,688
Intergovernmental revenue	
Federal grants	275,186
State grants	1,274,784
Interest income	453
Miscellaneous income	<u>190,516</u>
Total revenues	1,850,458
 Expenditures:	
Current:	
Conservation	1,813,100
Capital outlay	74,749
Debt service	
Principal	58,472
Interest	<u>5,106</u>
Total expenditures	<u>1,951,427</u>
Excess (deficiency) of revenues over (under) expenditures	(100,969)
Other financing sources (uses):	<u> </u>
Total other financing sources (uses):	<u> -</u>
Net change in fund balances	(100,969)
Beginning fund balance	<u>179,335</u>
Ending fund balance	<u>\$ 78,366</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
As of June 30, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Total net change in fund balances-governmental funds	\$ (100,969)
<p>Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimates useful lives and reported as depreciation expense.</p>	
Capital expenditures recorded as capital outlay or other expenses	74,749
<p>Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore depreciation expense is not reported as an expenditure in the governmental funds.</p>	
	(35,156)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Change in deferred inflows of resources related to property taxes receivable	4,915
<p>The issuance of long-term debt (e.g. bonds, notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
(Increase)/decrease in compensated absences	(2,193)
Principal payments on long-term debt	58,472
<p>Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:</p>	
Employer contributions subsequent to the measurement date	5,702
Pension expense	(1,652)
Rounding	(6)
Change in net position of governmental activities	\$ 3,862

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
 GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes				
Property	\$ 61,238	61,238	66,124	4,886
Licenses and permits	-	-	780	780
Charges for services	45,272	45,272	40,688	(4,584)
Intergovernmental revenue				
Federal grants	1,012,880	1,012,880	130,394	(882,486)
State grants	2,498,618	2,498,618	1,274,784	(1,223,834)
Interest income	200	200	96	(104)
Miscellaneous income	299,027	299,027	184,784	(114,243)
Total revenues	3,917,235	3,917,235	1,697,650	(2,219,585)
Expenditures:				
Current:				
Conservation	3,791,982	3,791,982	1,663,159	2,128,823
Capital outlay	50,000	50,000	74,749	(24,749)
Debt service				
Principal	58,408	58,408	26,734	31,674
Interest	5,106	5,106	5,106	-
Total expenditures	3,905,496	3,905,496	1,769,748	2,135,748
Excess (deficiency) of revenues over (under) expenditures	11,739	11,739	(72,098)	(4,355,333)
Other financing sources (uses):				
Total other financing sources (uses):	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	11,739	11,739	(72,098)	(4,355,333)
Budgeted cash carryover	-	-		
Net change in fund balance	\$ 11,739	11,739		
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ (72,098)	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			152,808	
Adjustments to expenditures for accrued wages and expenditures			(181,679)	
Net change in fund balance (GAAP)			\$ (100,969)	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 73-2Q-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 a minimum 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 statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's most significant accounting policies are described below.

A. Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB-14. The first criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units and is not a component unit of another governmental agency.

B. Basis of Accounting/Measurement Focus

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column. Fiduciary activities of the District are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the District 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements.

The District reports the general fund as a major governmental fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the District except for items included in other funds.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

C. Assets, Liabilities and Equity

Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. All amounts included in cash and investments are considered to be cash equivalents for the purposes of the statement of cash flows, except for certificates of deposit or other investments that have original maturities of more than 90 days.

Investments

The District's investments are regulated by state law as well as by guidelines and rules promulgated by the State Investment Council and the State Treasurer. All investments are generally highly liquid in nature and are integrated with cash on the financial statements with appropriate disclosure. Investments are stated at fair value, which is determined using selected bases. Certificates of deposit are reported at carrying amount, which reasonably estimates fair value. Investments in a U.S. Treasury Fund and repurchase agreements are valued at the last reported sales price at current exchange rates. Additional cash, investment information, and fair values are presented in Notes 3 and 4.

The District also participates in the State Treasurer Local Government Investment Pool. State law and regulations regulate this pool. Investment in the pool is reported at carrying amount, which reasonably estimates fair value.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." In governmental fund financial statements, advances between funds are offset by an amount reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible accounts.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Property taxes attach as an unsubordinated enforceable lien on property as of January 1 of the assessment year. Current year taxes are levied within five days of the rate setting order received from New Mexico Department of Finance and Administration (7-38-32 thru 7-38-36). Tax bills are mailed by November 1, unless the County Assessor obtains a formal extension of time from the New Mexico Property Tax Division. Taxpayers have the option to pay in two equal installments due by the close of business November 10th and April 10th. Penalty and interest will be accrued after the delinquency due dates of December 10th and May 10th. In the event of a formal extension, the respective dates are correspondingly extended.

Inventories and Prepaid Items

Inventories in governmental funds consist of expendable supplies held for consumption, and are valued at cost using a first-in, first-out (FIFO) method. Expendable supplies are accounted for using the consumption method. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as expenditures when consumed rather than when purchased. The District current does not hold any items in inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information technology equipment including software is being capitalized and included in machinery and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets that have been disposed of are recorded as deletions on the government-wide financial statements. Accumulated depreciation is adjusted for all deletions.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the District during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

**STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Years</u>
Land	Perpetuity
Construction in progress	Perpetuity
Buildings	20-39
Office and computer equipment	5-7
Vehicles and equipment	5-7

Analysis of Impairment

Management reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there is no impairment of such District assets at June 30, 2016.

Deferred Outflows of Resources

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has two types of items that qualify for reporting in this category. Accordingly, the items, employer contributions subsequent to measurement date and net difference between expected and actual earnings on pension plan investments, are reported on the Statement of Net Position. These amounts are deferred and recognized as an outflow of resources in the period the amounts become available. The District has recorded deferred outflows totaling \$5,702 related to contributions subsequent to the measurement date and \$15,578 related to the net difference between expected and actual earnings on pension plan investments.

Deferred Inflows of Resources

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized.

If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources.

The District has five types of items which qualify for reporting in this category. The items, unavailable revenue – property taxes and unavailable revenue - grants, are reported only in

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has recorded \$4,915 related to property taxes and \$-0- related to grants that are considered “unavailable”.

The items, net difference between expected and actual earnings on pension plan investments, net difference between expected and actual experience, change in assumptions, and change in proportion are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has recorded \$27 related to change in assumptions, \$15,794 related to the net difference between expected and actual earnings on pension plan investments, \$1,513 related to actuarial experience, and \$1,191 related to change in proportion.

Compensated Absences

Full-time permanent employees are granted vacation benefits in varying amounts to specified maximums depending on their tenure with the District. Accumulated unused vacation may be carried from one calendar year to another but the amount of annual leave carry over can not exceed 160 hours. Accumulated unused vacation is payable upon retirement or termination from employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is not be reported in the governmental fund balance sheet unless it was actually due and payable at year end for payments due to retired or terminated employees.

Accumulated unused sick leave is not paid upon termination from employment or retirement. Sick leave is only paid upon illness while in the employment of the District. Accordingly, no provision for accumulated sick leave has been made in the accompanying financial statements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of fund net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent.

Governmental Fund Financial Statements. In accordance with GASBS No. 54, the District classifies fund balances in the governmental funds as follows:

Nonspendable Fund Balance includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal/contractual requirements. Examples are Prepaid Expenses and Inventory.

Spendable Fund Balance includes Restricted, Committed, Assigned, and Unassigned designations:

Restricted includes fund balance amounts that are limited for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed includes fund balance amounts that are obligated to a specific purpose which are internally imposed by the government through formal action (Ordinances and Resolutions) at the highest level of decision making authority (Board of Supervisors). These commitments can only be overturned by a like action.

Assigned includes spendable fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Undesignated excess Fund Balances may be assigned by the Board of Supervisors or District Manager for specific purposes through the budget process or agenda items. The assigned designation may be reversed by the Board of Supervisors at any public meeting.

Unassigned includes residual positive fund balances within the General Fund, which have not been classified within the other above mentioned categories. Unassigned Fund Balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in the General Fund, it is the District's policy to use unassigned resources first, then assigned, and then committed as needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any other governmental fund, it is the District's policy to use committed resources first, then assigned, and then unassigned as needed.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

The District does not have a formal minimum fund balance requirement.

Net Position

Government-wide and Proprietary Fund Financial Statements. The District classifies net position in the government-wide and proprietary fund financial statements as follows:

Net Investment in Capital Assets includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The Board of Supervisors has the authority to revisit or alter this designation.

D. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

E. Inter-Fund Transactions

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements. The District currently only presents one fund, so there is no reported interfund activity.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

F. Income Taxes

As a local government entity, the District is not subject to federal or state income taxes. The District is generally no longer subject to examination by federal and state taxing authorities for years prior to 2013. For the year ended June 30, 2016, no interest or penalties were recorded or included in the financial statements.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The District adopts budgets for each individual fund (governmental and proprietary).

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. The Board reviews the budget proposal and makes any necessary adjustments.

Prior to June 1, the Board approves the budget by passing a resolution.

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.

None of the above budgetary processes are legally required to occur at any specified time; however DFA requires that the time frame be such that they (DFA) render their final budget approval no later than September 1 of the budget year in question.

During the course of the fiscal year, the District prepares monthly budget reports. Under New Mexico State law, each year's budget appropriation legally lapses at year-end.

Budgetary Compliance – Budgetary control is required to be maintained at the individual fund level.

Actual fund revenues may be either over or under the budgeted amounts; however, the variance is required to be reasonable, particularly in the case of over-budgeted revenues. Major over-

**STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

budgeted revenues require a budget amendment as soon as the extent of the shortage is reasonably ascertainable.

Budget Amendments – Budget increases and decreases can only be accomplished by Board of Trustee resolution, followed by DFA approval. Similarly, budget transfers must follow the same procedure.

Budgetary Basis – State law prescribes that the District's budget be prepared on the basis of cash receipts and cash expenditures. Therefore, budgetary comparisons shown in exhibits are prepared on a cash basis to compare actual revenues and expenditures with a cash basis budget as amended.

The accompanying Statements of Revenue, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2016 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual budgetary statement.

NOTE 3 – CASH AND CASH EQUIVALENTS

The District's cash balances consist of demand deposits and interest bearing savings accounts. The District does not have a deposit policy. The District's cash and cash equivalents are listed on page 35 of this report.

The following is a summary of the District's cash and cash equivalents balances by fund type as of June 30, 2016:

Fund Type	Amount
Cash and equivalents	
Local banks	\$ 58,318
NMFA debt service funds	38,117
NM LGIP funds	7,187
Petty cash	25
Total cash and cash equivalents	\$ 103,647

Custodial Credit Risk Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District funds may not be returned. The District does not have a deposit policy for custodial risk

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit be collateralized by the depository thrift or banking institution. At present,

**STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

state statutes require that a minimum of fifty percent of uninsured balances on deposit with anyone institution must be collateralized, with higher requirements up to 102% for financially troubled institutions.

Based on the above, the District is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to 50% of the public money in each account. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of New Mexico. The District's Schedule of Collateral is presented on page 36 of this report.

As of June 30, 2016, the District's bank balances of \$102,872 were exposed to custodial credit risk as follows:

Insured through federal depository insurance	\$	102,872
Uninsured, collateralized with securities held by pledging financial institution's trust department or agent in the Town's name.		-
Uninsured and uncollateralized		-
Total uninsured deposits	\$	102,872

NOTE 4 – INVESTMENTS

The District's investments consisted of the following as of June 30, 2016:

<u>Investment Type</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>Credit Risk- Rating</u>	<u>WAM (R)</u>	<u>WAM (F)</u>
NM LGIP Fund	\$ 7,187	7,187	AAAm	44 days	77 days
	\$ 7,187	7,187			

For reporting purposes, the above balances are included as cash and cash equivalent balances as of June 30, 2016.

The State Treasurer is authorized to invest in 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.

The pool does not have unit shares. Per Section 6-10-101F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government investment pool is voluntary.

The investments are valued at fair value based on quoted market prices as of the valuation date. Investments owned by the District and the investment strategy is outlined on New MexiGROW LGIP website <http://www.stonm.org/NewMexiGROWLGIP/MonthlyInvestmentReports>.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 5 – RECEIVABLES

Receivables as of June 30, 2016 are as follows:

	General Fund
Accounts	\$ 5,732
Taxes:	
Property	7,248
Other intergovernmental	<u>152,137</u>
Subtotal	165,117
Less: Allowance for uncollectibles	<u>-</u>
Net Receivables	<u>\$ 165,117</u>

The District has an established policy where an allowance for doubtful accounts is established for all receivable items outstanding over ninety (90) days. Currently, no receivables meet this criteria.

In accordance with GASB No. 33, the property tax revenues totaling \$4,915 that were not collected within the period of availability have been reclassified as deferred inflows of resources in the governmental fund financial statements.

NOTE 6 – CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2016 follows. Land and construction in progress are not subject to depreciation.

<u>GOVERNMENTAL ACTIVITIES</u>	<u>Balance</u> <u>06/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/16</u>
Non-depreciable capital assets:				
Land	\$ 211,888	-	-	211,888
Total non-depreciable capital assets	<u>211,888</u>	<u>-</u>	<u>-</u>	<u>211,888</u>
Capital assets being depreciated:				
Buildings	1,026,726	74,749	-	1,101,475
Office and computer equipment	9,433	-	-	9,433
Vehicles and equipment	<u>98,811</u>	<u>-</u>	<u>-</u>	<u>98,811</u>
Total capital assets being depreciated	1,134,970	74,749	-	1,209,719
Less accumulated depreciation for:				
Buildings	(27,280)	(27,184)	-	(54,464)
Office and computer equipment	(9,433)	-	-	(9,433)
Vehicles and equipment	<u>(63,447)</u>	<u>(7,972)</u>	<u>-</u>	<u>(71,419)</u>
Total accumulated depreciation	<u>(100,160)</u>	<u>(35,156)</u>	<u>-</u>	<u>(135,316)</u>
Total capital assets being depreciated	<u>1,034,810</u>	<u>39,593</u>	<u>-</u>	<u>1,074,403</u>
Total capital assets, net of depreciation	<u>\$ 1,246,698</u>	<u>39,593</u>	<u>-</u>	<u>1,286,291</u>

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Depreciation expense for the year ended June 30, 2016 was charged to the following functions and funds:

Governmental activities:	
General government	\$ <u>35,156</u>
Total governmental activities	\$ <u><u>35,156</u></u>

NOTE 7 – LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Balance		Balance	Amount due
	<u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
				<u>within one</u>
				<u>year</u>
Governmental funds debt				
Compensated absences	\$ 2,868	3,236	(1,043)	5,061
Notes payable	<u>718,853</u>	<u>-</u>	<u>(58,472)</u>	<u>660,381</u>
Total governmental activities	<u>\$ 721,721</u>	<u>3,236</u>	<u>(59,515)</u>	<u>665,442</u>

Long-term liabilities are liquidated from the general fund and special revenue funds. Business-type long-term liabilities are liquidated from the Joint Utility Fund. No short-term debt was incurred during fiscal year 2016.

The annual principal and interest requirements on long-term debt outstanding as of June 30, 2016 are as follows.

Governmental activities

Notes payable

The District has the following notes payable outstanding as of June 30, 2016:

<u>Loan Number</u>	<u>Maturity</u>	<u>Rate</u>	<u>Original Amount</u>	<u>Current Balance</u>
NMFA - WTB-0052	6/1/2027	0.25%	\$ 60,000	33,000
NMFA - PP-2109	5/1/2028	0.25%	189,712	114,964
NMFA - WTB-0081	6/1/2028	0.25%	120,000	73,186
NMFA - WTB-0103	6/1/2018	0.25%	60,000	12,818
NMFA - WTB-0143	6/1/2020	0.25%	60,000	24,180
NMFA - WTB-0185	6/1/2021	0.25%	54,000	27,168
NMFA - WTB-0186	6/1/2021	0.25%	45,000	22,640
NMFA - PP-2855	5/1/2033	0.79%	<u>404,645</u>	<u>352,425</u>
			<u>\$ 993,357</u>	<u>660,381</u>

The proceeds of the loans were used for the monitoring and restoration of watershed health in District's area. The payments of principal and interest are paid from pledged governmental mill levy and local revenues. The revenues pledged totaled \$686,175 at June 30, 2016, and equal 13.4%

**STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

of future revenues at their current rate. During the year ended June 30, 2016, the District collected \$300,487 in pledged revenues, and retired \$63,578 in principal and interest on the aforementioned notes.

The aggregated future payments required on the NMFA notes payable are as follows.

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$	58,793	4,779	63,572
2018		59,187	4,376	63,563
2019		53,202	3,923	57,125
2020		53,691	3,425	57,116
2021		48,145	2,879	51,024
2022-2026		199,167	5,671	204,838
2027-2031		144,248	675	144,923
2032-2036		<u>43,948</u>	<u>66</u>	<u>44,014</u>
Total	\$	<u>660,381</u>	<u>25,794</u>	<u>686,175</u>

NOTE 8 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries 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 \$1,050,000 for each wrongful act and \$1,050,000 for the policy aggregated.

The District has purchased commercial packaged insurance through American Hallmark Insurance Company of TX for general insurance coverage and all risk of loss is transferred. The premium paid for the year ended June 30, 2016 was \$4,234. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

The District is required to obtain a corporate surety bond on behalf of persons responsible for District assets. The District currently maintains a \$100,000 surety bond.

NOTE 9 – PERA PENSION PLAN

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

(Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Contributions. The contribution requirements of defined benefit plan members and the Claunch-Pinto Soil And Water Conservation District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf. The PERA coverage options that apply to the District are: Municipal General Division. Statutorily required contributions to the pension plan from the District were \$5,702 and no employer paid member benefits that were “picked up” by the employer for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The District’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2016, the District reported a liability of \$68,312 for its proportionate share of the net pension liability. At June 30, 2015, the District's proportion was 0.0067 percent, which changed from its proportion of 0.0069 percent as of June 30, 2014.

For the year ended June 30, 2016, the District recognized PERA Fund Division Municipal General pension expense of \$1,652. At June 30, 2016, the District reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	1,513
Changes of assumptions	-	27
Net difference between projected and actual earnings on pension plan investments	15,578	15,794
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,191
District contributions subsequent to the measurement date	<u>5,702</u>	<u>-</u>
	<u>\$ 21,280</u>	<u>18,525</u>

\$5,702 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	\$	(2,178)
2017		(2,178)
2018		(2,178)
2019		3,587
2020		-
Thereafter	\$	-

**STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the evaluation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	21.10%	5.00%
International Equity	24.80%	5.20%
Private Equity	7.00%	8.20%
Core and Global Fixed Income	26.10%	1.85%
Fixed Income Plus Sectors	5.00%	4.80%
Real Estate	5.00%	5.30%
Real Assets	7.00%	5.70%
Absolute Return	<u>4.00%</u>	4.15%
	<u>100.00%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed longterm expected rate of return on pension plan

**STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the District's net pension liability in each PERA Fund Division that District participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Fund Division - Municipal General	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 116,309	68,312	28,407

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

NOTE 10 – POST EMPLOYMENT BENEFITS

The Retiree Health Care Act, Chapter IV, Article 7C NMSA 1978 provides a comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The District has elected not to participate in the post-employment health insurance plan.

NOTE 11 – FUND DEFICITS AND NON-COMPLIANCE

Deficit Fund Balances

The District did not have any funds with negative fund balances as of June 30, 2016.

Legal Compliance with Budget

The District was in of compliance with Section 6-6-6 of the New Mexico State Statues regarding legal compliance with approved budgets for the year ended June 30, 2016.

NOTE 12 – JOINT POWERS AGREEMENTS

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

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 12 – CONTINGENCIES

The District participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited by the grantor agencies.

Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds of the overall financial position of the District.

The District is party to various legal proceedings, which are the unavoidable results of governmental operations. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's legal counsel that resolution of these matters will not have a material effect on the financial condition of the District.

NOTE 15 – EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 14, 2016, the date which the financial statements were available to be issued.

NOTE 16 – SUBSEQUENT PRONOUNCEMENTS

In June 2015, GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued. Effective Date: A portion of this provision of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not affect the District's financial statements.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The District does not expect this pronouncement to have a material effect on the financial statements as they do not participate in such a plan.

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The District will implement this standard

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

during the fiscal year ended June 30, 2017. The District is still evaluating how this pronouncement will affect the financial statements.

In December 2015, GASB Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In January 2016, GASB Statement No. 80 *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
 SCHEDULE OF PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL GENERAL
 Public Employees Retirement Association (PERA) Plan
 Last 10 Fiscal Years***

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0067%	0.0069%
District's proportionate share of the net pension liability (asset)	\$ 68,312	\$ 53,827
District's covered-employee payroll	\$ 77,104	\$ 71,825
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	88.60%	74.94%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
PERA Municipal General Division
Last 10 Fiscal Years*

	<u>2015</u>	<u>2015</u>
Contractually required contribution	\$ 5,702	\$ 5,315
Contributions in relation to the contractually required contribution	<u>5,702</u>	<u>5,315</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
District's covered-employee payroll	77,104	71,825
Contributions as a percentage of covered-employee payroll	7.40%	7.40%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirementfund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>. See appendix B on pages 53-61 of the report which summarizes actuarial assumptions and methods effective with the June 30, 2014 valuation.

Changes in assumption resulted in a decrease of \$91.8 million to the total pension liability for the PERA Fund and an increase of 0.42% to the funded ratio for the year ended June 30, 2015. See more details of actuarial methods and assumptions on Note 2 on page 34 of PERA's Schedule of Employer Allocations and Pension amounts at http://osanm.org/media/audits/366-B_PERA_Schedule_of_Employer_Allocations_FY2015.pdf

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
 SCHEDULE OF DEPOSITORIES
 As of June 30, 2016

Account name	Type	My Bank	Local Government Investment Pool	NM Finance Authority	Plus Deposit in Transit	Less O/S Checks	Balance Per Books
My Bank Acct	CK*	23,379			26,000	(40,001)	9,378
Grant Acct	CK*	13,305			2,862	(19,815)	(3,648)
Water Trust Grant Acct	CK*	19,297			22,000	(35,600)	5,697
Debt Service Acct	CK*	46,891			-	-	46,891
Investment Acct	CK*		7,187		-	-	7,187
Reserve and Debt Service	CK*			35,472	2,645	-	38,117
Total cash and equivalents		<u>102,872</u>	<u>7,187</u>	<u>35,472</u>	<u>53,507</u>	<u>(95,416)</u>	<u>103,622</u>
Total amount on deposit		102,872	7,187	35,472	<u>53,507</u>	<u>(95,416)</u>	<u>103,622</u>
FDIC coverage		<u>(102,872)</u>	-	-			
Total uninsured public funds		-	7,187	35,472			
50% collateral requirement (Section 6-10-17 NMSA-1978)		-	3,594	17,736			
Pledge security		122,037					
See STO audited financials			7,187				
See NMFA audited financials				<u>35,472</u>			
Amount (over)/under collateralized		<u>(122,037)</u>	<u>(3,594)</u>	<u>(17,736)</u>			

* denotes interest bearing account

STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
 SCHEDULE OF PLEDGED COLLATERAL BY DEPOSITORY
 As of June 30, 2016

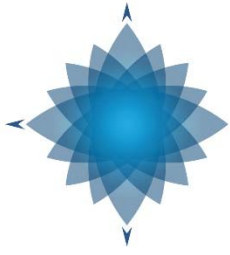
<u>Cuspid</u>	<u>Description/ Maturity</u>	<u>Coupon</u>	<u>Par</u>	<u>Market Value</u>
My Bank				
<i>Safekeeping Location - FHLB: Fed Home Loan Bank</i>				
388240EQ2	Grants Etc SD #1 NM	3.40	\$ 75,000	75,799
541066BM7	Logan SD #32 NM 18	3.00	<u>45,000</u>	<u>46,238</u>
			<u>\$ 120,000</u>	<u>122,037</u>

See independent auditor's report.

STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
 SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000
 For The Year Ended June 30, 2016

Agency Number	Agency Name	Agency Type	RFB#/RFP# (if applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
8010	Claunch-Pinto Soil & Water Conservation District	Special Districts	2015 Programs	Competitive	Boss Reclamation	Winner	\$319,919.00	\$330,199.00	Ruidoso, NM	Yes	No	Riparian Restoration projects	
8010	Claunch-Pinto Soil & Water Conservation District	Special Districts	2015 Programs	Competitive	B&B Ready Mix Conservation Services, LLC	Loser			Downs, NM	Yes	No	Riparian Restoration projects	
8010	Claunch-Pinto Soil & Water Conservation District	Special Districts	2015 Programs	Competitive	Jarales, NM	Loser			Jarales, NM	Yes	No	Riparian Restoration projects	
8010	Claunch-Pinto Soil & Water Conservation District	Special Districts	2015 Programs	Competitive	DAB Construction	Loser			Elephante Butte, NM	Yes	No	Riparian Restoration projects	
8010	Claunch-Pinto Soil & Water Conservation District	Special Districts	2015 Programs	Competitive	Padilla Industries, Inc. Southwest	Loser			Santa Fe, NM	Yes	No	Riparian Restoration projects	
8010	Claunch-Pinto Soil & Water Conservation District	Special Districts	2015 Programs	Competitive	Stumpgrinding, LLC	Loser			Tejeras, NM	Yes	No	Riparian Restoration projects	

See independent auditors' report.



**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**

Independent Auditor's Report

Timothy Keller,
New Mexico State Auditor and
The Board of Supervisors of
Claunch-Pinto Soil and Water Conservation District
Mountainair, New Mexico

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund of the District, State of New Mexico, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Integrity Accounting + Consulting, LLC

Integrity Accounting & Consulting, LLC
Albuquerque, NM

December 14, 2016

**STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2016**

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditors' report issued | Unmodified |
| 1. | Internal control over financial reporting: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiencies identified not considered to be material weaknesses? | No |
| c. | Noncompliance material to the financial statements noted? | No |
| d. | Other noncompliance/other matters? | No |

SECTION II FINDINGS – FINANCIAL STATEMENTS

Finding	Status of Current and Prior Year Findings	Financial Statement Finding
Prior Year Findings		
None		
Current Year Findings		
None		

**STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2016**

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Presentation: The accompanying financial statements are the responsibility of the District and are based on information from the District's financial records. Assistance was provided by Integrity Accounting & Consulting to the District in preparing the financial statements.

B. EXIT CONFERENCE

The contents of the report for the District were discussed on December 14, 2016. The following individuals were in attendance.

District Officials

Felipe Lovato, Jr, Chairperson
Jerry Melaragno. Secretary/Treasurer
Dierdre Tarr, District Manager

Integrity Accounting & Consulting

Erick Robinson, CPA, CFE Partner