

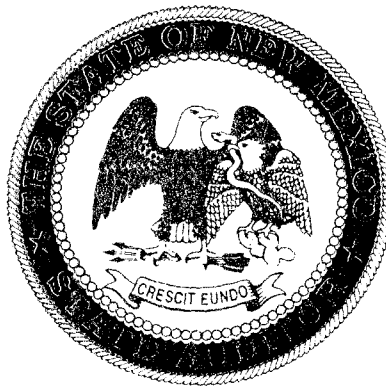
State of New Mexico
OFFICE OF THE STATE AUDITOR

STATE OF NEW MEXICO

CLAUNCH-PINTO
SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2004

(With Independent Auditor's Report Thereon)



Domingo P. Martinez, CGFM
State Auditor

8010



State of New Mexico
OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

Carl M. Baldwin, CPA, CFE
Deputy State Auditor

January 13, 2006

SAO Ref No.: 8010

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

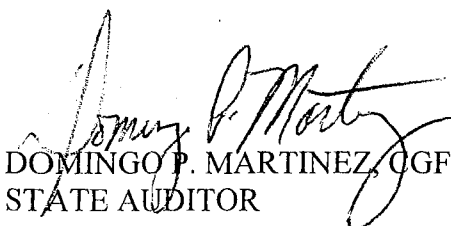
SUBJECT: Audit Report –Clauch-Pinto Soil & Water Conservation District- (District)
2003-2004 Fiscal Year – Prepared by State Auditor's Office

Enclosed are eight (8) copies of the above referenced audit.

Ten days from the date of this letter the audit report will become public record according to Section 12-6-5 (A), NMSA 1978. Once the ten day waiting period has passed the audit report will be:

- Released by the Office of the State Auditor to the Legislative Finance Committee, the Department of Finance and Administration and the Office of the State Treasurer; and
- Presented by the District to the governing authority and top management for approval, per Section 2.2.2.10 K (3)(d) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies*.

The independent public accountant's findings and comments are included in the audit report on pages 20 - 24. ***It is ultimately the responsibility of the governing authority of the agency to take corrective action on all findings and comments.***


DOMINGO P. MARTINEZ, CGFM
STATE AUDITOR

Cc: Legislative Finance Committee
Department of Finance and Administration
Local Government Division
New Mexico State University
Department of Agriculture

2113 Warner Circle, Santa Fe, New Mexico 87505-5499
(505) 827-3500 (800) 432-5517 Fax (505) 827-3512
<http://www.saonm.org>

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

OFFICIAL ROSTER
JUNE 30, 2004

<u>Board of Supervisors</u>	<u>Position</u>
Felipe Lovato, Jr.	Chairperson
Wanda Giovengo	Vice-Chairperson
J. Lynn Chilton	Secretary/Treasurer
E.R. "Bud" Bagley	Supervisor
Brian Green	Supervisor
Wayne Lindsey	Supervisor
Charles Hodgin	Supervisor
 <u>District Personnel</u>	 <u>Title</u>
Dierdre L. Tarr	Administrative Assistant

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

TABLE OF CONTENTS
JUNE 30, 2004

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		i
Official Roster		ii
FINANCIAL SECTION		
Independent Auditor's Report		1
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	3
Statement of Activities	2	4
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	5
Financial Statement Reconciliation		6
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	4	7
Financial Statement Reconciliation		8
Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	5	9
Notes to the Financial Statements		10
OTHER REPORTS		
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>		18
Schedule of Findings and Recommendations		20
Exit Conference		24

RECEIVED
JAN 6 2006
STATE AUDITOR



State of New Mexico

OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

INDEPENDENT AUDITOR'S REPORT

Mr. Felipe Lovato, Chair
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 government of the general fund and the respective budgetary comparison of the Claunch-Pinto Water Conservation District (District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the accompanying contents. These financial statements are the responsibility of the District. 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 as set forth 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 assertions 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 basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the District as of June 30, 2004, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year ended June 30, 2004, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the District has implemented a new financial reporting system required by the provisions of GASB Statement No. 34, *Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments*, effective for the year ended June 30, 2004.



State of New Mexico
OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

Carl M. Baldwin, CPA, CFE
Deputy State Auditor

INDEPENDENT AUDITOR'S REPORT

Mr. Felipe Lovato, Chair
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, 2004, 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 opinion.

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, 2004, 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.

As described in Note 1, the District has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of June 30, 2004.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated May 27, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Office of the State Auditor

OFFICE OF THE STATE AUDITOR

May 27, 2005

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

Exhibit 1

	<u>Governmental Activities</u>
Assets	
Cash	\$ 4,033
Investments	43,048
Accounts receivable	17,118
Restricted assets:	
Cash	8,651
Capital assets, net (Note III.C)	<u>10,714</u>
Total assets	<u>83,564</u>
Liabilities	
Accounts payable	1,319
Accrued payroll	1,750
Unearned revenue	<u>75</u>
Total liabilities	<u>3,144</u>
Net Assets	
Invested in capital assets, net of related debt	10,714
Restricted for:	
Conservation projects	8,651
Unrestricted	<u>61,055</u>
Total net assets	<u><u>\$ 80,420</u></u>

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

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Exhibit 2

	<u>Governmental Activites</u>
Program Expenses:	
Conservation:	
Personnel Services & Benefits	\$ 21,392
Per Diem & Travel	7,918
Office	926
Administrative Expenses	2,539
Building Rent	2,150
Advertising	990
Dues	1,455
Bonding	100
Depreciation Expense	357
Conservation programs	<u>139,167</u>
Total program expenses	<u>176,994</u>
Program Revenues:	
Federal operating grants and contracts	9,835
State operating grants and contracts	<u>139,529</u>
Total program revenues	<u>149,364</u>
Net program (expense) revenue	<u>(27,630)</u>
General Revenues:	
NMDA allotment	9,988
Property Tax - Mill Levy	24,438
County Allotments	2,260
Interest	804
Reimbursements	<u>253</u>
Total general revenues	<u>37,743</u>
Change in net assets	10,113
Net assets at beginning of year	<u>70,307</u>
Net assets at end of year	<u><u>\$ 80,420</u></u>

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

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2004

Exhibit 3

	General Fund
Assets	
Cash	\$ 4,033
Investments	43,048
Accounts receivable	17,118
Restricted Assets:	
Cash	8,651
	<u>8,651</u>
Total assets and other debts	<u>\$ 72,850</u>
Liabilities and fund balance	
Liabilities:	
Accounts payable	\$ 1,319
Accrued payroll	1,750
Deferred revenue	75
	<u>3,144</u>
Total liabilities	<u>3,144</u>
Fund balance:	
Unreserved, designated for subsequent year's expenditures	31,725
Unreserved, undesignated	37,981
	<u>69,706</u>
Total fund balance	<u>69,706</u>
Total liabilities and fund balance	<u>\$ 72,850</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
FINANCIAL STATEMENT RECONCILIATION
JUNE 30, 2004

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

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

Fund Balance - Balance Sheet (Exhibit 3)	\$ 69,706
Capital assets, net of accumulated depreciation	10,714
	<hr/>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 80,420</u></u>

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

STATE OF NEW MEXICO
 CLAUNCH-PINTO SOIL AND WATER CONSERVATION
 STATEMENT OF REVENUES, EXPENDITURES
 CHANGES IN FUND BALANCE - GOVERNMENTAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>
Revenues	
State allotment (NMDA)	\$ 9,988
Property tax-mill levy	24,438
County allotments	2,260
Grants and contracts - federal sources	9,835
Grants and contracts - state sources	139,529
Reimbursements	253
Interest	<u>804</u>
Total revenues	<u>187,107</u>
Expenditures	
Conservation:	
Current:	
Personnel services & benefits	\$ 21,392
Per diem & travel	7,918
Administrative expenses	3,463
Building rent	2,150
Advertising	990
Dues	1,455
Bonding	100
Conservation programs	<u>139,167</u>
Total expenditures	<u>176,635</u>
Net change in fund balance	10,472
Fund balance beginning of year	<u>59,234</u>
Fund balance end of year	<u><u>\$ 69,706</u></u>

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

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, 2004

Exhibit 4

	<u>General Fund</u>
Revenues	
State allotment (NMDA)	\$ 9,988
Property tax-mill levy	24,438
County allotments	2,260
Grants and contracts - federal sources	9,835
Grants and contracts - state sources	139,529
Reimbursements	253
Interest	<u>804</u>
Total revenues	<u>187,107</u>
Expenditures	
Conservation:	
Current:	
Personnel services & benefits	\$ 21,392
Per diem & travel	7,918
Administrative expenses	3,463
Building rent	2,150
Advertising	990
Dues	1,455
Bonding	100
Conservation programs	<u>139,167</u>
Total expenditures	<u>176,635</u>
Net change in fund balance	10,472
Fund balance beginning of year	<u>59,234</u>
Fund balance end of year	<u><u>\$ 69,706</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
FINANCIAL STATEMENT RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Net change in fund balance - Governmental Funds (Exhibit 4)	\$ 10,472
---	-----------

Amounts reported in the Statement of Activities are different because:

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:

Depreciation expense	(359)
	<hr/>
Change in net assets - Statement of Activities (Exhibit 2)	<u><u>\$ 10,113</u></u>

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

Exhibit 5

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, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property Tax	\$ 23,275	\$ 23,275	\$ 24,517	\$ 1,242
New Mexico State Allotment (NMDA)	9,820	9,820	9,988	168
Torrance County Allotment	2,000	2,000	-	(2,000)
Lincoln County Allotment	2,000	2,000	2,000	-
Socorro County Allotment	2,000	2,000	-	(2,000)
Interest Income	2,000	2,000	805	(1,195)
Advertising Income	2,000	2,000	-	(2,000)
House Rental	7,200	7,200	-	(7,200)
NMFA Loan	155,000	155,000	-	(155,000)
Grants	610,000	610,000	133,273	(476,727)
Reimbursements	-	-	253	253
Miscellaneous	-	-	-	-
Total revenues	\$ 815,295	\$ 815,295	\$170,836	\$ (644,459)
Budgeted cash balance	36,943	36,943		
	<u>\$ 852,238</u>	<u>\$ 852,238</u>		
Expenditures				
Current:				
NMFA payment on Bishop Property	\$ 7,950	\$ 7,950	\$ -	\$ 7,950
Personnel Services	19,000	22,007	21,265	742
Legal Advertisements	600	600	990	(390)
Bonding	100	100	100	-
Dues	2,225	2,225	1,455	770
Postage	2,000	2,261	859	1,402
Newletter	2,000	2,000	-	2,000
Forestry Camp	145	145	-	145
Travel/Per diem	6,250	7,332	7,332	0
Building Maintenance (Bishop Property)	4,000	142		142
Supplies / Maintenance	1,000	1,437		1,437
Storage & Meeting room rental	1,800	2,488	2,150	338
Equipment	3,000	1,468	-	1,468
Accounts Payable	500	500	-	500
Building Construction Potential	25,000	25,000	-	25,000
Insurance	1,800	1,112	-	1,112
Public Relations	500	950	-	950
Special Projects	6,000	6,153	5,289	864
Purchase of Property & Related Expenses	155,000	155,000	-	155,000
Miscellaneous Grant Expenditures	610,000	610,000	134,510	475,490
Administrative Expense	-	-	2,539	(2,539)
Office Expense	-	-	-	-
Legal Fees	-	-	-	-
Total expenditures	<u>\$ 848,870</u>	<u>\$ 848,870</u>	<u>\$176,489</u>	<u>\$ 672,381</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, 2004

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Claunch-Pinto Soil and Water Conservation District (District) is organized under the provisions of the Soil and Water Conservation District Act (73-20-25 through 73-20-49 NMSA 1978). The District is a governmental subdivision of the state, a public body corporate and politic, organized for control and prevention of flood, sediment, and soil erosion damage, and to further the conservation, development and beneficial use of water and soil resources. The governing body of the District consists of five elected supervisors, two of whom must be landowners in the District. Two additional supervisors may be appointed to the District board. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

The financial reporting entity as defined by GASB 14 consists of the primary government, organizations for which the primary government is financially accountable, and other organizations whose exclusion from the financial reporting entity would cause the financial statements to be misleading.

A primary government is any state government or general-purpose local government and the organizations comprising its legal entity. Although the District is organized as a subdivision of the State and administratively attached to the New Mexico State University, Department of Agriculture, the statutory powers of the District establish it as a primary government with a separate corporate and legal identity. The District has no component units, financially dependent affiliates, nor is it legally liable for actions of other agencies.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The District, a phase three government, was required to implement GASB Statement 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* in fiscal year 2004. To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

B. Government-wide and Fund Financial Statements

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

STATE OF NEW MEXICO
CLAUNCH PINTO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if any, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

STATE OF NEW MEXICO
CLAUNCH PINTO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity, if applicable, has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Fund Balance

1. Deposits and Investments

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

State statutes authorize the District to invest in obligations of the U.S. Treasury, repurchase agreements, certificates of deposit and the State Treasurer's Investment Pool. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Investments for the government, if applicable, are reported at fair value.

2. Receivables and Payables

The District receives mill-levy property tax revenue from the counties of Torrance, Socorro, and Lincoln. The taxes are collected by the respective county treasurer and are paid to the District monthly.

3. Restricted Assets

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

STATE OF NEW MEXICO
CLAUNCH PINTO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

4. Capital Assets

Capital assets, which include property, equipment, and 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 \$1,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized.

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

Computer equipment 6 years

5. Compensated Absences

As of June 30, 2004, the District employee was not covered under any formal vacation or sick leave policy.

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.

STATE OF NEW MEXICO
CLAUNCH PINTO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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. The Board requested and received approval for budget changes during the fiscal year ended June 30, 2004. The District anticipated the purchase of real property. The purchase did not materialize and therefore the maintenance budget for this property was transferred. Encumbrance accounting is not utilized by the District.

B. Reconciliation of Non-GAAP Budget to GAAP

	General Fund
Non-GAAP revenues (Exhibit 5)	\$ 170,836
Prior year receivables	(847)
Current year receivables	17,118
GAAP revenues (Exhibit 4)	<u>\$ 187,107</u>
Non-GAAP expenditures (Exhibit 5)	\$ 176,489
Prior year payable	(1,628)
Prior year payroll accrual	(1,294)
Current year payable	1,318
Current year payroll accrual	1,750
GAAP expenditures (Exhibit 4)	<u>\$ 176,635</u>

III. Detailed Notes on all Funds

A. Cash and Investments

As of June 30, 2004, the District had a carrying amount of deposits of \$12,659. The bank balance for deposits was \$50,634. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$37,975. The total bank balance of \$50,634 consisted of the following:

STATE OF NEW MEXICO
CLAUNCH PINTO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

The Bank of Belen

Demand deposits	\$ 50,634
Less: FDIC coverage	<u>(50,634)</u>
Amount uninsured	<u>\$ -0-</u>

As of June 30, 2004, the District had an investment of \$43,048 with the State Treasurer's Local Government Investment Pool. The investment is reported at fair value. For additional disclosure information regarding investments held by the State Treasurer, the reader should see the separate audit report for the State Treasurer's Office for fiscal year ended June 30, 2004.

B. Receivables

The District had accounts receivable of \$17,118 consisting of \$16,651 due from New Mexico Mortgage Finance Authority for the ABO Watershed project, \$207 due from property taxes and \$260 in county allotments due from Torrance County.

C. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

Description	Balance 30-Jun-03	Additions	Deletions	Accumulated Depreciation
Non-Depreciable Assets				
Land 2.9 acres	\$ 10,000	\$ -	\$ -	\$ 10,000
Total Non-Depreciable Assets	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>
Depreciable Assets				
Computer	\$ 2,143	\$ -	\$ -	\$ 2,143
Total Depreciable Assets	<u>\$ 2,143</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,143</u>
Accumulated Depreciation				
Computer	\$ (1,072)	(357)	-	(1,429)
Capital Assets, net	<u>\$ 11,071</u>	<u>\$ (357)</u>	<u>\$ -</u>	<u>\$ 10,714</u>

STATE OF NEW MEXICO
CLAUNCH PINTO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

D. Reconciliation of Beginning Fund Balance to Beginning Net Assets

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

Ending fund balance as of June 30, 2003 as previously reported	\$ 59,236
Capital assets as of June 30, 2003, net of accumulated depreciation	\$ 11,071
Long-term debt as of June 30, 2003	-0-
Beginning net assets as of July 1, 2003	\$ 70,307

IV. Other Information

A. Employee Retirement Benefits

Plan Description. The District's one full time employee participates in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides retirement, disability and survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy. Plan members are required to contribute 7% of their gross salary. The District is required to contribute 7% of the gross covered salary. The contribution requirements of plan members and the District are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the years ended June 30, 2004, 2003, and 2002 are \$1,230, \$917, and \$815 respectively. A late payment for fiscal year ended 2004 was made as a result of audit work. The payment was in the amount of \$220.60.

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

STATE OF NEW MEXICO
CLAUNCH PINTO SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

employees are covered by an errors and omissions liability policy purchased by the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,000,000 for each wrongful act and \$1,000,000 for the policy aggregated. The District is required to obtain a corporate surety bond on behalf of persons responsible for District assets. The District currently maintains a \$10,000 surety bond. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

D. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

E. Joint Powers Agreement – Pecos River Salt Cedar Control Project

During the 2002 session, the New Mexico State Legislature appropriated \$2.5 million to the New Mexico Department of Agriculture to remove salt cedar from the Pecos River Basin. As a result of this appropriation, a joint powers agreement was established for this project. The terms of the agreement are summarized as follows:

Date of agreement:	June 24, 2002
Participants:	New Mexico Association of Conservation Districts and the Carlsbad, Chaves, Central Valley, Hagerman-Dexter, DeBaca, Penasco, Guadalupe, Upper Hondo, and Claunch-Pinto Soil and Water Conservation Districts
Responsible party for operations:	Carlsbad Soil and Water Conservation District
Description:	Pecos River Salt Cedar Control Project
Beginning and ending date of agreement:	July 1, 2002 to June 30, 2004
Total estimated amount:	\$2,500,000
Amount expended to date:	\$1,915,422
Audit responsibility:	New Mexico State University, New Mexico Department of Agriculture
Fiscal agent:	Carlsbad Soil and Water Conservation District
The government agency where revenues and expenditures are reported:	New Mexico State University



State of New Mexico
OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

Carl M. Baldwin, CPA, CFE
Deputy State Auditor

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

Mr. Felipe Lovato, Jr., Chair
and Members of the Board of Supervisors
Claunch-Pinto Soil and Water Conservation District
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, 2004 and have issued our report dated May 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and recommendations as items 03-01, 04-2 and 04-03.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we do not consider any to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items 00-1, 04-1 and 04-4.

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

Office of the State Auditor

OFFICE OF THE STATE AUDITOR

May 27, 2005

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2004

STATUS OF PRIOR YEAR AUDIT FINDINGS

00-1 Payroll reporting and Liabilities - Repeated and Modified

03-1 Unauthorized Pay Rate – Revised and Repeated

CURRENT YEAR AUDIT FINDINGS

00-1 Incorrect Payroll Reporting

03-1 Unauthorized Pay Rate

04-1 Incorrect PERA contributions

04-2 Unsigned Expenditure Vouchers

04-3 General Ledger

04-4 DFA Quarterly Report

Finding 00-1: Incorrect Payroll Reporting

Condition

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

Criteria

The Internal Revenue Code and regulations and sound accounting practices require that federal forms prepared in an accurate and correct manner.

Effect

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

Cause

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

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2004

Recommendation

The District should ensure that Social Security Tax is withheld and paid on

Department Response

District is aware of requirement and is currently following recommendation

Finding 03-1: Unauthorized Pay Rate

Condition

On January 6, 2004, the Claunch-Pinto SWCD Board of Supervisors approved a payment of \$3,325.00 to the District Administrator from the Water Trust Grant. The amount was to be paid over the period of the grant. As of June 30, 2004, \$3,018.00 had been paid. This amount exceeds the amount approved by the Board.

Criteria

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

Effect

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

Cause

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

Recommendation

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

Department Response

The District will make compensation agreements more detailed with minutes.

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2004

Recommendation

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

Department Response

District is aware of requirement and is currently following recommendations.

Finding 03-1: Unauthorized Pay Rate

Condition

On January 6, 2004, the Claunch-Pinto SWCD Board of Supervisors approved payment of \$3,325.00 to the District Administrator from the Water Trust Grant. The approved amount was to be paid over the period of the grant. As of June 30, 2004, \$3,632 had been paid. This amount exceeds the amount approved by the Board.

Criteria

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

Effect

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

Cause

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

Recommendation

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

Department Response

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

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2004

Finding 04-1 Incorrect PERA contributions

Condition

A Review of payment vouchers and payroll documents revealed that the total contributions to PERA were less than the required amount.

Criteria

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

Effect

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

Cause

The administrative assistant inadvertently failed to report correctly.

Recommendation

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

Department Response

The District prepared an amended report and payment for \$220.60 at the time of the exit conference.

Finding 04-2 Unsigned Expenditure Vouchers

Condition

One of twenty-five expenditures examined lacked the approval of the treasurer and one travel reimbursement lacked the signature of the person seeking reimbursement.

Criteria

Internal control policy for the District requires approval of payment vouchers and signatures on reimbursement documents.

Effect

The District is not following its own policy.

Cause

Signatures were omitted from documents.

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2004

Recommendation

The Board should follow its own policies regarding approval of expenditures and reimbursements.

Department Response

The District acknowledges the omission of signatures on some payment vouchers and will obtain signatures on all vouchers in the future.

Finding 04-3 Payroll Ledger

Condition

One payment for unemployment taxes was not reflected in the payroll ledger.

Criteria

Generally accepted accounting procedures require all expenditures to be classified correctly

Effect

The payroll ledger did not balance to the general ledger

Cause

Expenditure was advertently omitted from the payroll ledger

Recommendation

All expenditures should be classified accurately

Department Response

The District will review ledgers for accuracy in the future.

Finding 04-4 Department of Finance Quarterly Report

Condition

The grant expenses reported in the final Department of Finance and Administration (DFA) quarterly report for the year ended June 30, 2004 were underreported by \$1247.

Criteria

The Department of Finance and Administration requires quarterly reports to be filed timely and accurately.

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2004

Effect

Grant expenses were underreported to DFA.

Cause

A bookkeeping error caused the underreporting

Recommendation

Reports should be checked for accuracy and compared to source documents.

Department Response

The District is aware of the error and will check reports for accuracy.

Financial Statement Preparation

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

Exit Conference

On May 27, 2005, an exit conference was held at the District Office with Mr. J. Lynn Chilton, Secretary/Treasurer and Ms. Dierdre Tarr, District Manager of the Claunch-Pinto Soil and Water Conservation District. Representing the Office of the State Auditor was Kevin Sourisseau, CPA, Audit Supervisor.

