

**State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Audited Financial Statements
June 30, 2009**

Dan Austin CPA, PC
700 Mechem Drive Ste 15
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State of New Mexico
Claunch-Pinto Soil and Water Conservation District
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June 30, 2009

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Introductory Section

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
June 30, 2009

Board of Supervisors

Position

Felipe Lovato

Chairperson

William Caster

Vice-Chairperson

Brian Green

Secretary/Treasurer

Richard Shovelin

Supervisor

LeRoy Candelaria

Supervisor

Jerry Melaragno

Supervisor

Bill Highnight

Supervisor

District Personnel

Title

Dierdre Tarr

District Manager

Financial Section

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

Hector H. Balderas, New Mexico State Auditor
Chairman and Members of the Board of Supervisors
Claunch-Pinto Soil and Water Conservation District
P.O. Box 129
Mountainair, New Mexico 87036

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Claunch-Pinto Soil and Water Conservation District(District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

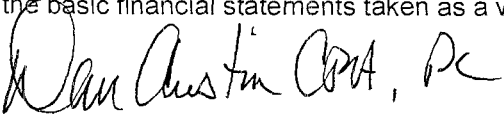
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District as of June 30, 2009, and the respective changes in financial position, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 15, 2010 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the and budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U S Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The accompanying schedule of legislative grants and the schedule of federal awards are presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of legislative grants and the schedule of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


February 15, 2010

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 178,264
Investments	47,099
Accounts receivable	16,555
Due from NM Finance Authority	31,977
Capital assets, Net	<u>296,739</u>
Total assets	<u>570,634</u>
Liabilities	
Accounts payable	20,185
Deferred Income	1,126
Noncurrent liabilities:	
Due within one year	42,286
Due in more than one year	<u>392,757</u>
Total liabilities	<u>456,354</u>
Net Assets	
Invested in capital assets	114,280
Unrestricted	<u>-</u>
Total net assets	<u><u>\$ 114,280</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, 2009

	Governmental Activites
Program Expenses:	
Conservation:	
Current:	
Personnel Services	87,028
Legal Advertisements	1,547
Bonding Expense	100
Dues	2,050
Postage	1,365
Telephone	2,097
Newsletter and Meetings	1,458
Mileage and Per Diem	12,109
Supplies and Administration	5,770
Storage and Meeting Room Rental	3,030
Audit	18,746
Meetings and Registration	2,408
Capital Outlay	4,885
Equipment Maintenance	22,383
Public Relations	1,779
Special Projects	14,652
Depreciation expenses	8,587
Debt Administration	974
Grant Expense-State and Local	
Water Trust Grants	1,051,176
State Forestry-Wildland Urban Interface	49,701
Upper Rio Grande Phretophyte	59,283
New Mexico Capital Outlay	23,901
Grant Expense-Federal	
EW Protection Program	588,581
NMDA Upper Rio Grande Riparian Restoration	8,218
Bingman Grants	44,182
Total program expenses	<u>2,016,010</u>
Program Revenues:	
Charges for services	194,007
State operating grants and contracts	959,450
Federal operating grants and contracts	651,325
Reimbursements	12,699
Total program revenues	<u>1,817,481</u>
Net program (expense) revenue	<u>(198,529)</u>
General Revenues:	
State appropriation	10,751
Property taxes	40,056
Interest	853
Total general revenues	<u>51,660</u>
Change in net assets	(146,869)
Net assets at beginning of year	<u>261,149</u>
Net assets at end of year	<u>\$ 114,280</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, 2009

	General Fund
Assets	
Cash and cash equivalents	\$ 178,264
Investments	47,099
Accounts receivable	16,555
Total assets	\$ 241,918
Liabilities and fund balance	
Liabilities:	
Accounts payable	\$ 20,185
Deferred Income	1,126
Total liabilities	21,311
Fund balance:	
Unreserved, undesignated	220,607
Total fund balance	220,607
Total liabilities and fund balance	\$ 241,918

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

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS-
TO THE STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Fund Balance - Balance Sheet	\$	220,607
Capital assets, net of accumulated depreciation		296,739
Loan proceeds held by lender		31,977
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Long-term debt	\$ (431,350)	
Compensated absences	(3,093)	(434,443)
Net Assets - Statement of Net Assets (Exhibit 1)	\$	<u>114,880</u>

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

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General Fund
Revenues	
State Appropriation	\$ 10,751
Mill levy	40,056
Grant Administration	82,150
Technical Fees	93,489
Interest Income	853
Equipment Rental	17,258
Reimbursements	12,699
Other Income	1,110
Grant Revenues-State and Local:	
Water Trust Grants	818,332
Community Wildfire Protection	40,090
New Mexico Capital Outlay	36,452
Clean Energy Grant	25,000
Other Grants	7,600
Grant Revenues-Federal	
EW Protection Program	581,743
National Fish and Wildlife	30,400
Bingaman Grants	39,182
Total revenues	<u>1,837,165</u>
Expenditures	
Conservation:	
Current:	
Personnel Services	86,505
Legal Advertisements	1,547
Bonding Expense	100
Dues	2,050
Postage	1,365
Telephone	2,097
Newsletter and Meetings	1,458
Mileage and Per Diem	12,109
Supplies and Administration	5,770
Storage and Meeting Room Rental	3,030
Audit	18,746
Meetings and Registration	2,408
Equipment Maintenance	22,383
Public Relations	1,779
Special Projects	14,652
Capital Outlay-Building	1,102
Capital Outlay-Equipment	14,646
Debt Service	24,184
Grant Expense-State and Local	
Water Trust-Grants	1,051,176
Upper Rio Grande Phretophyte	49,701
Community Wildfire Protection	59,283
New Mexico Capital Outlay	36,452
Other Grants	23,901
Grant Expense-Federal	
EW Protection Program	588,581
National Fish and Wildlife	8,218
Bingaman Grants	44,182
Total expenditures	<u>2,077,425</u>
Excess (Deficiency) of Revenues Over Expenditures	(240,260)
Other Financing Sources (Uses)	
NMFA Loan Proceeds	240,000
Net Other Financing Sources (Uses)	<u>240,000</u>
Net Change in Fund Balance	(260)
Fund balance beginning of year as reported	<u>220,867</u>
Fund balance end of year	<u>\$ 220,607</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
 RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
 GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Net change in fund balance - Governmental Funds	\$	(260)
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Amounts reported in the Statement of Activities are different because:

Loan proceeds recorded as revenues in the fund statements and not reported in the Statement of Activities.		(265,449)
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Principal reduction in long-term debt recorded as an expenditure in the governmental funds.		23,211
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31,977

In the Statement of Activities, compensated absences are measured by the amounts earned during the year. However, in the governmental funds, expenditures for these items are measured by the amount of financial resources used (actually paid). The increase for the liability not recorded in the balance sheet is:		(524)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful life of the asset and reported as depreciation expense as follows:

Capital Outlay	\$	72,763	
Depreciation expense		(8,587)	64,176

Change in net assets - Statement of Activities	\$	<u>(146,869)</u>
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The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
State Appropriation	\$ 9,820	\$ 9,820	\$ 10,751	\$ 931
Mill levy	46,550	46,550	39,799	(6,751)
Capital Outlay-State	600,000	600,000	36,452	(563,548)
Grant Administration	80,000	80,000	82,150	2,150
Technical Fees	60,000	60,000	77,437	17,437
Interest income	4,200	4,200	853	(3,347)
NMFA Loan Proceeds	1,600,000	1,600,000	208,023	(1,391,977)
Grant Revenues-State and Local	3,200,000	3,169,600	1,006,913	(2,162,687)
Grant Revenues-Federal	2,500,000	2,530,400	635,980	(1,894,420)
Equipment Rental	5,000	5,000	17,258	12,258
Reimbursements	-	-	12,699	12,699
Miscellaneous Income	-	-	1,110	1,110
Total revenues	<u>8,105,570</u>	<u>8,105,570</u>	<u>2,129,425</u>	<u>(5,976,145)</u>
Expenditures				
Current:				
Personnel Services	\$ 85,457	\$ 89,839	\$ 89,500	\$ 339
Legal Advertisements	1,000	1,666	1,666	-
Bonding Expense	100	100	100	-
Dues	2,475	2,475	2,050	425
Postage	2,150	2,150	1,366	784
Telephone	-	-	2,258	(2,258)
Newsletter and Meetings	2,000	2,000	1,458	542
Mileage and Per Diem	14,000	14,686	12,279	2,407
Supplies-Administration	8,000	10,698	5,770	4,928
Storage and Meeting Room Rental	3,000	3,000	3,030	(30)
Audit	30,000	1,715	-	1,715
Meetings and Registration	-	30	2,408	(2,378)
Capital Outlay-Equipment	15,000	15,000	14,646	354
Equipment Maintenance	12,000	18,533	20,944	(2,411)
Accounts Payable	500	500	-	500
Public Relations	4,000	1,779	1,779	-
Special Projects	10,000	14,652	14,652	-
Capital Outlay-Building	600,000	600,000	1,102	598,898
Capital Outlay-Other	1,600,000	1,600,000	-	1,600,000
Grant Expense-State and Local	3,200,000	3,169,600	1,220,513	1,949,087
Grant Expense-Federal	2,500,000	2,530,400	640,980	1,889,420
Debt Service	15,888	26,747	24,184	2,563
Total expenditures	<u>8,105,570</u>	<u>8,105,570</u>	<u>2,060,685</u>	<u>\$ 6,044,885</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	<u>\$ 68,740</u>	
Cash Balance, Beginning	<u>156,622</u>	<u>156,622</u>		
Cash Balance, Ending	<u>\$ 156,622</u>	<u>\$ 156,622</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, 2009

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) Financial Accounting Standards Board (FASB) and Accounting Principal Board (APB) opinions issued on or before November 30, 1989 unless they conflict with GASB pronouncements. To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and Statement of Activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, the District does not have any fiduciary or business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2009

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

State of New Mexico
Claunich-Pinto Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2009

D. Assets, Liabilities, Net Assets and Fund Balance

1. Deposits and Investments

The District's cash and cash equivalents are considered to be demand deposits and short term investments (three certificates of deposit) with original maturities of fourteen months or less from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, repurchase agreements, certificates of deposit and the State Treasurer's Investment Pool. Investments for the government, if applicable, are reported at fair value. The State Treasurer is authorized to invest the short-term investment funds with the advice and consent of the State Board of Finance in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E NMSA 1978. Participation in the local government investment pool is voluntary. For additional disclosure information regarding investments held by the State Treasurer, the reader should refer to the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2009.

2. Accounts Receivable

The District's accounts receivable consists of grants from the New Mexico Finance Authority for Water Trust Grants and the Torrance, Socorro and Lincoln County property taxes. The District receives mill-levy property tax revenue from the Torrance County. Property taxes attach an enforceable lien as of January 1. Taxes are payable in equal semi-annual installments on November 10 and April 10 of the subsequent year. The taxes become delinquent thirty days after the due date. The taxes are collected by the respective county treasurer and are remitted to the District in the month following collection. Therefore, no allowance for doubtful accounts is recorded.

3. Capital Assets

Capital assets, which include property and equipment (including software) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by state law as assets with an initial cost of \$5,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized. Currently, the District has no infrastructure that is required to be capitalized and depreciated under GASBS 34.

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2009

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

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

4. Accounts Payable

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

5. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide financial statements. A current liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of resignations and retirements. According to District policy, employees accrue annual leave up to eighteen days leave based on longevity with the District. Employees may not carry more than 80 hours forward from one calendar year to the next.

6. Net Assets and Fund Balance

The difference between the District's assets and liabilities is its net assets. The District's net assets consist of two components – invested in capital assets, which is the cost of capital assets, net of accumulated depreciation and unrestricted net assets. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The District currently has no reservations of fund balance.

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2009

II. Stewardship, Compliance and Accountability

A. Budgetary Information

The budget is prepared on a basis that differs from accounting principles generally accepted in the United States of America (GAAP). GAAP basis revenues and expenditures include accrued amounts. The revenues and expenditures reported in the budgetary comparisons are generally recorded on the cash basis. The District uses the following procedures to establish the budgeted amounts reflected in the budgetary comparisons:

1. Prior to April 1, the Budget Committee submits to the District Board of Supervisors a proposed revenue and expenditure budget for the fiscal year beginning July 1.
2. The Board reviews the budget proposal and makes any necessary adjustments.
3. Prior to June 1, the Board approves the budget by passing a resolution.
4. Prior to June 20, the approved budget is submitted to the State of New Mexico, Department of Finance and Administration, Local Government Division (DFA-LGD) for approval by the first Monday of September. The Board receives notice of the approved budget.

The legal level at which actual expenditures may not exceed budgeted expenditures is at the total fund level. The Board can revise its budget with the approval of DFA-LGD. Encumbrance accounting is not utilized by the District.

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

	General Fund
Non-GAAP revenues	\$ 2,129,425
Prior year receivables	(69,594)
Current year receivables	16,555
Change in Deferred Income	779
GAAP revenues	<u>\$ 2,077,165</u>
Non-GAAP expenditures	\$ 2,060,685
Prior year payable	(3,445)
Current year payable	20,185
GAAP expenditures	<u>\$ 2,077,425</u>

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2009

III. Detailed Notes on all Funds

A. Cash and Investments

As of June 30, 2009, the District had a carrying amount of deposits of \$178,264. The bank balances for deposits were \$182,549. The difference between the carrying amount and the bank balance of deposits is due to outstanding Deposits of \$89,916 and checks of \$94,201. The total bank balance of \$182,524 consisted of the following:

MY Bank

Demand deposits	\$ 170,900
Less: FDIC coverage	(170,900)
Amount uninsured	<u>\$ 0</u>
 Pledged securities at fair market value	 \$ 52,207
50% collateral requirement	(0)
Over(Under) Collateralized	<u>\$ 52,207</u>

The following is a description of the pledged collateral by MY Bank that is held under joint safekeeping receipts in the name of the District at the Independent Banker's Bank in Dallas, TX. FHLB, Cusip 3133XPWV2, Maturity 3/12/15, Receipt 178006056, Par \$50,000, Market Value \$52,207.

Bank of Albuquerque

Demand deposits	\$ 9,717
Less: FDIC coverage	(9,717)
Amount uninsured	<u>\$ 0</u>

The District had cash funds held by the New Mexico Finance Authority with the New Mexico State Treasurer for debt service. The amounts held for the benefit of the District was \$1,907 at year end.

The District maintained a petty cash fund in the amount of \$25.

The following is a reconciliation of cash on hand:

	<u>Cash in Bank</u>	<u>O/S Checks</u>	<u>O/S Deposits</u>	<u>Book Balance</u>
MY Bank	\$ 170,900	\$ 137	\$ 5,233	\$ 165,804
Bank of Albuquerque	9,717	88,968	88,968	9,717
New Mexico Finance Authority	1,907	811	-	2,718
Petty Cash	25	-	-	25
	<u>\$ 182,549</u>	<u>\$ 89,916</u>	<u>\$ 94,201</u>	<u>\$ 178,264</u>

Custodial Credit Risk – Deposits. Custodial Credit Risk is the risk that in the event of bank failure certain cash balances which are uninsured could be lost. The District does not have a deposit policy for custodial credit risk. None of the District's deposits are subject to custodial credit risk.

As of June 30, 2009, the District had an investment of \$47,099 with the State Treasurer's Local Government Investment Pool.

State of New Mexico
Claunich-Pinto Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2009

Interest Rate Risk – The District does not have a deposit policy for interest rate risk. The District informally manages its exposure to declines in fair values by limiting its investment portfolio to securities with a relative short weighted average maturity. The weighted average maturity of the LGIP was 44 days as of June 30, 2009.

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

B. Receivables

The District had accounts receivable of \$16,555 consisting of \$16,052 due from the various grants for services rendered and \$503 due for property taxes.

C. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

Description	Balance 06/30/08	Additions	Deletions	Balance 06/30/09
Land	\$ 211,888	\$ -	\$ -	\$ 211,888
Construction in Progress	3,692	36,452	-	40,144
Office equipment	7,290	-	-	7,290
Farm equipment	29,593	36,311	-	65,904
Computer equipment	2,143	-	-	2,143
Total at historical costs	<u>254,606</u>	<u>72,763</u>	<u>-</u>	<u>327,369</u>
Less: Accumulated depreciation for				
Office equipment	(6,561)	-	(1,457)	(8,018)
Farm equipment	(8,877)	-	(7,130)	(16,007)
Computer equipment	<u>(6,605)</u>	<u>-</u>	<u>-</u>	<u>(6,605)</u>
Total accumulated depreciation	<u>(22,043)</u>	<u>-</u>	<u>(8,587)</u>	<u>(30,630)</u>
Net capital assets	<u>\$ 232,563</u>	<u>\$ 72,763</u>	<u>\$ (8,587)</u>	<u>\$ 296,739</u>

The District's depreciation expense of \$8,587 was charged to the conservation function.

D. Compensated Absences

As of June 30, 2009 the District employee had accrued 144 hours of annual leave and compensatory time. Liability accrued for compensated absences is as follows:

	Balance 6/30/08	Increases	Decreases	Balance 6/30/09	Amount due within 1 year
Compensated absences	<u>\$ 2,569</u>	<u>\$ 3,093</u>	<u>\$ (2,569)</u>	<u>\$ 3,093</u>	<u>\$ 3,093</u>

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2009

E. Long-Term Debt

Long-term debt outstanding as of June 30, 2009 is as follows:

	<u>6/30/2008</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>6/30/2009</u>	<u>Due in One Year</u>
Note Payable to the New Mexico Water Trust Board for the purpose of funding conservation projects. Matures 06/30/18. Interest rate is 0%.	-	60,000	(6,000)	54,000	6,000
Note Payable to the New Mexico Water Trust Board for the purpose of funding conservation projects. Matures 06/01/18. Interest rate is 0%.	-	120,000	(5,126)	114,874	5,325
Note Payable to the New Mexico Water Trust Board for the purpose of funding conservation projects. Matures 06/01/17. Interest rate is 0%.	-	60,000	(2,823)	57,177	6,289
Note Payable to Wells Fargo Financial for the purpose of acquiring a Vemeer Chipper. Monthly payment of \$1,137. Matures June 30, 2011.	-	25,449	-	25,449	12,294
Note Payable to New Mexico Finance Authority, Due 5/1/2028 for the purpose of acquisition of land. Interest Rate 0%	189,712	-	(9,262)	180,450	9,285
Compensated Absences	<u>2,569</u>	<u>3,093</u>	<u>(2,569)</u>	<u>3,093</u>	<u>3,093</u>
Total	<u>\$ 192,281</u>	<u>\$ 268,542</u>	<u>\$ (25,780)</u>	<u>\$ 435,043</u>	<u>\$ 42,286</u>

The annual requirements to amortize debt is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 42,286	\$ 1,352	\$ 43,638
2011	46,819	489	47,308
2012	33,734	-	33,734
2013	33,803	-	33,803
2014	33,873	-	33,873
2015-2019	157,983	-	157,983
2020-2024	47,840	-	47,840
2025-2029	<u>38,705</u>	<u>-</u>	<u>38,705</u>
Total Outstanding	<u>\$ 435,043</u>	<u>\$ 1,841</u>	<u>\$ 436,884</u>

General funds and used to liquidate this debt.

At June 30, 2009, the District was due unfunded loan proceeds in the amount of \$31,977. The District has the right to request the funds as needed.

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2009

IV. Other Information

A. Employee Retirement Benefits

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

Funding Policy. Plan members are required to contribute 7% of their gross salary. The District is required to contribute 7% of the gross covered salary. The contribution requirements of plan members and the District are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the years ended June 30, 2009, 2008, and 2007 are \$4,127, \$4,364, and \$2,750 respectively, equal to the amount of required contributions each year.

B. Post-Employment Benefits

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

C. Risk Management

The District is exposed to various risks of loss due to torts, theft or damage of assets, errors and omissions and natural disasters. The District's supervisors and employees are covered by an errors and omissions liability policy purchased by the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,000,000 for each wrongful act and \$1,000,000 for the policy aggregated. The District is required to obtain a corporate surety bond on behalf of persons responsible for District assets. The District currently maintains a \$25,000 surety bond as well as commercial property coverage. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

D. Contingent Liabilities

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

Other Reports

State of New Mexico
 Claunh-Pinto Soil and Water Conservation District
 Schedule of State Grants
 June 30, 2009

<u>Project</u>	<u>Agency</u>	<u>Grant#</u>	<u>Effective Date</u>	<u>Reversion Date</u>	<u>Original Amount</u>	<u>Arts In Public Places</u>	<u>Net Amount</u>	<u>Exp to Date</u>	<u>Remaining</u>
WTB No. 44	NMFA/WTB	No. 44	4/7/2006		450,000		450,000	450,000	-
Project 6.7	NFWA	No. 06.7	9/1/2005	9/30/2007	30,400	-	30,400	20,112	10,288
Project 8.3	NMDA	No. 08.3	7/1/2007	6/30/2011	198,000	-	198,000	43,727	154,273
Project 8.3	NMDA	No. 08.3	7/1/2008	6/30/2012	396,000	-	396,000	-	396,000
Project 9.3	4 Corners Institute	No. 09.3	8/1/2008	7/31/2009	8,421	-	8,421	8,365	56
Project 9.4	EMNR	No. 09.4	9/10/2008	12/31/2010	100,000	-	100,000	25,000	75,000
WTB No. 52	NMFA/WTB	No. 52	7/27/2007	7/27/2010	600,000	-	600,000	600,000	-
WTB No. 81	NMFA/WTB	No. 81	7/18/2008	7/18/2011	600,000	-	600,000	278,267	321,733
WTB No. 103	NMFA/WTB	No. 103	7/20/2008	7/20/2011	600,000	-	600,000	33,023	566,977
					-	-	-	-	-
Total					<u>\$ 2,532,821</u>	<u>\$ -</u>	<u>\$ 2,532,821</u>	<u>\$ 1,008,494</u>	<u>\$ 1,524,327</u>

State of New Mexico
Claunch –Pinto Soil and Water Conservation District
Schedule of Expenditures of Federal Awards
June 30, 2009

	<u>CFDA Number</u>	<u>Federal Grantors Number</u>	<u>Federal Expenditures</u>
Department of Agriculture			
Emergency Watershed Protection	10.923	69-8c30-08-0011	\$ 588,580
Bingaman Riparian Funds	10.902	68-8C30-05-983	44,182
National Fish and Wildlife Foundation			
Central New Mexico Weed Management	10.000	2005-0004-066	<u>8,218</u>
Total Federal Financial Assistance			<u><u>\$ 640,980</u></u>

Notes to the Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards(Schedule) includes the federal grant activity of the Claunch-Pinto Soil and Water Conservation District and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements.

2. Sub-Recipients

The Claunch-Pinto Soil and Water Conservation District did not provide any federal awards to sub-recipients during the year.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 640,980
Total expenditures funded by other sources	<u>1,436,445</u>
Total expenditures	<u><u>\$ 2,077,425</u></u>

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

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

Hector H. Balderas, New Mexico State Auditor
Chairman and Members of the Board of Supervisors
Claunch-Pinto Soil and Water Conservation District
P.O. Box 129
Mountainair, New Mexico 87036

We have audited the financial statements of the governmental activities, the general fund, and the respective budgetary comparison of the Claunch-Pinto Soil and Water Conservation District as of and for the year ended June 30, 2009, which collectively comprise the Claunch-Pinto Soil and Water Conservation District's basic financial statements and have issued our report thereon dated February 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and responses, finding 07-B, to be a significant deficiency in internal control over financial reporting.

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

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

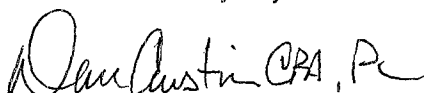
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Claunch-Pinto Soil and Water Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under Government Auditing Standards January 2007 Revision paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings as item 07-A.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Claunch-Pinto Soil and Water Conservation District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the District's management, the New Mexico Department of Finance and Administration, New Mexico Department of Agriculture, the New Mexico State Legislature, the applicable federal grantors, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.


February 15, 2010

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

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB A-133**

Mr. Hector Balderas
New Mexico State Auditor
The Office of Management and Budget and
The Chairman and Board of Supervisors
Claunch-Pinto Soil and Water Conservation District
Mountainaire, New Mexico

We have audited the compliance of Claunch-Pinto Soil and Water Conservation District, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Claunch-Pinto Soil and Water Conservation District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Claunch-Pinto Soil and Water Conservation District's management. Our responsibility is to express an opinion on Claunch-Pinto Soil and Water Conservation District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America: the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Claunch-Pinto Soil and Water Conservation District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Claunch-Pinto Soil and Water conservation District's compliance with those requirements.

In our opinion, the Claunch-Pinto soil and Water Conservation District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Claunch-Pinto Soil and Water Conservation District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Claunch-Pinto soil and Water Conservation District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program. In order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Claunch-Pinto soil and Water Conservation District's internal control over compliance.

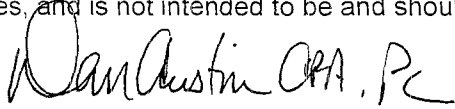
A Control deficiency in Claunch-Pinto Soil and Water Conservation District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance

requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Claunch-Pinto Soil and Water Conservation District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Claunch-Pinto Soil and Water Conservation District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Claunch-Pinto Soil and Water conservation District's Internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within Claunch-Pinto Soil and Water Conservation District, the Board of Supervisors, the Office of the State Auditor, the Department of Finance and Administration, the New Mexico Legislature, and applicable federal grantors and pass through entities, and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in black ink that reads "Dan Austin CPA, PC". The signature is written in a cursive, flowing style.

February 15, 2010

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Schedule of Audit Findings, Recommendations, Responses and Other Disclosures
June 30, 2009

Financial Statements

1. Type of report issued: Unqualified
2. Internal control over financial reporting:
 - a. Material weakness identified? No
 - b. Significant deficiencies identified not considered to be a material weakness? Yes
 - c. Noncompliance material to the financial statements noted? No

Federal Awards

1. Internal control over major programs:
 - a. Material weakness identified? No
 - b. Significant deficiencies identified not considered to be a material weakness? No
2. Type of auditor's report issued on compliance for major programs. Unqualified
3. Any audit findings disclosed that that are that are required to be reported in accordance with section 510(a) of Circular A-133? No
4. Identification of major programs:

CFDA
Number
10.923

Federal Program
Emergency Watershed Protection

5. Dollar threshold used to distinguish between type A and type B programs: \$300,000
6. Auditee was a low-risk auditee? No

Federal Award Findings – None

FINDINGS AND RECOMMENDATIONS – FINANCIAL AUDIT

RESOLUTION OF PRIOR YEAR FINDINGS

07-A. Audit Report Submitted Late-Repeated
07-B Financial Statement Preparation-Repeated

CURRENT YEAR FINDINGS

07-A. Audit Report Submitted Late

Condition: The audit report was not submitted to the New Mexico State Auditor's office by the due date of December 1, 2009.

Criteria: The New Mexico State Auditor requires public entities to submit their audit reports by December 1. If the reports are submitted late, it is considered to be an instance of noncompliance with Subsection A of 2.2.2.9 NMAC.

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Schedule of Audit Findings, Recommendations, Responses and Other Disclosures
June 30, 2009

Cause: The June 30, 2009 audit report was not contracted until after the due date resulting in late completion.

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

Recommendation: Complete the audit reports in a timely manner.

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

07-B Financial Statement Preparation

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

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

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

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

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

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

FINANCIAL STATEMENT PREPARATION

Although it would be preferred and desirable for the District to prepare its own GAAP-based financial statements, it is felt that the District's personnel have neither the time nor the expertise to prepare them. Therefore, the outside auditor has prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report, however, the responsibility for the content of the report remains with District management.

EXIT CONFERENCE

On March 13, 2010, an exit conference was held at the District's administrative offices. Present were Felipe Lavoto, Chairman, Richard Schovelin, Secretary/Treasurer, Diedre Tarr, District Manager, Dan Austin, CPA, representing the audit firm. Reportable conditions for the year ended June 30, 2009, were discussed as well as other financial reporting considerations.