

STATE OF NEW MEXICO

**CLAUNCH-PINTO
SOIL AND WATER CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2013
(With Independent Auditor's Report Thereon)**

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
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June 30, 2013

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Introductory Section

**State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Official Roster
June 30, 2013**

Board of Supervisors

Position

Felipe Lovato

Chairperson

William Caster

Vice-Chairperson

Richard Shovelin

Secretary/Treasurer

J. Brian Green

Supervisor

LeRoy Candelaria

Supervisor

Jerry Melaragno

Supervisor

Dan Williams

Supervisor

District Personnel

Dierdre Tarr

District Manager

Financial Section

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

Independent Auditor's Report

Hector H. Balderas, New Mexico State Auditor
Chairperson, Members of the Board of Supervisors
Claunch-Pinto Soil & Water Conservation District
Mountainair, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the government 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, 2013, which collectively comprise District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the general fund, the budgetary comparison for the general fund of the Claunch-Pinto Soil and Water Conservation District as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

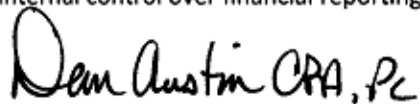
Other Matters

Required Supplementary Information

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, We have also issued a report dated December 5, 2013, on my consideration of Claunch-Pinto Soil and Water Conservation District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants 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* in considering Claunch-Pinto Soil and Water Conservation District's internal control over financial reporting and compliance.

 Dan Austin CPA, PC

December 5, 2013

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 190,395
Receivables-Grants and Other	8,968
Capital assets, Net	<u>885,496</u>
Total assets	<u>1,084,859</u>
Liabilities	
Accounts payable	1,478
Debt Due within one year	73,016
Debt Due in more than one year	<u>416,847</u>
Total liabilities	<u>491,341</u>
Net Position	
Net Investment in capital assets	509,936
Restricted for debt service	83,582
Unrestricted	<u>-</u>
Total net position	<u><u>\$ 593,518</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, 2013

	<u>Governmental Activities</u>
Program Expenses:	
Administration	\$ 309,537
Conservation	<u>990,621</u>
Total program expenses	<u>1,300,158</u>
Program Revenues:	
Charges for services	78,190
Federal operating grants and contracts	561,424
State operating grants and contracts	687,193
Local Operating Grants	5,527
Reimbursements	43,669
Other Revenue	<u>3,303</u>
Total program revenues	<u>1,379,306</u>
Net program (expense) revenue	<u>79,148</u>
General Revenues:	
State appropriation	12,990
Capital Outlay	156,627
Property taxes	62,334
Interest	<u>224</u>
Total general revenues	<u>232,175</u>
Change in net position	311,323
Net position at beginning of year	<u>282,195</u>
Net position at end of year	<u><u>\$ 593,518</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, 2013

	General Fund
Assets	
Cash and cash equivalents	\$ 190,395
Receivables	8,968
Total assets	\$ 199,363
Liabilities and fund balance	
Liabilities:	
Accounts Payable	\$ 1,478
Deferred Income	-
Total liabilities	1,478
Fund balance:	
Restricted of Debt Service	83,582
Unassigned	114,303
Total fund balance	197,885
Total liabilities and fund balance	\$ 199,363

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, 2013

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

Fund Balance - Balance Sheet		\$	197,885
Capital assets, net of accumulated depreciation			885,496
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:			
Long-term debt	\$ (480,385)		
Compensated absences	<u>(9,478)</u>		<u>(489,863)</u>
Net Position - Statement of Net Position		\$	<u>593,518</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, 2013

	General Fund
Revenues	
State Appropriation-NMDA	\$ 12,990
State Appropriation-Capital Outlay	156,627
Mill levy	62,334
Technical Fees and Grant Administration	78,190
Interest Income	224
Reimbursements	43,669
Grant Revenues-Federal	561,424
Grant Revenues-State	687,193
Grant Revenues-Local	5,527
Other Revenues	3,302
Total revenues	1,611,480
Expenditures	
Conservation:	
Current:	
Personnel Services	200,917
Legal Advertisements	3,848
Bond Insurance	150
Dues	290
Postage	1,716
Newsletter and Meetings	12,111
Mileage and Per Diem	12,700
Supplies and Administration	4,382
Rents and Meeting Room Rental	3,890
Audit and Professional	15,599
Insurance	4,008
Equipment Maintenance	20,474
Utilities and Phone	15,896
Special Projects	1,322
Capital Outlay-Building	184,649
Capital Outlay-Equipment	9,761
Grant Expense-Federal	473,504
Grant Expense-State	535,262
Grant Expense-Other	7,427
Debt Service	44,548
Total expenditures	1,552,454
Excess (Deficiency) of Revenues Over Expenditures	59,026
Other Financing Sources(Uses)	
WTB Loan Proceeds	50,597
Total Other Financing Sources(Uses)	50,597
Net Change in Fund Balance	109,623
Fund balance beginning of year as reported	88,262
Fund balance end of year	\$ 197,885

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, 2013**

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

Net change in fund balance - Governmental Funds	\$ 109,623
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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.	(50,597)
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Principal reduction in long-term debt recorded as an expenditure in the governmental funds.	40,424
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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:

Compensated Absences	125
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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	\$ 217,556	
Depreciation expense	<u>(5,808)</u>	<u>211,748</u>

Change in net position - Statement of Activities	<u>\$ 311,323</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, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
State Appropriation	\$ 8,000	\$ 8,000	\$ 12,990	\$ 4,990
Mill levy	56,708	56,708	60,648	3,940
Technical Fees and Grant Administration	60,000	60,000	78,190	18,190
Interest income	200	200	224	24
NM Capital Outlay Grant	179,443	179,443	156,627	(22,816)
NMFA Loan Proceeds	-	-	50,597	50,597
Grant Revenues-Federal	1,159,404	1,159,404	588,004	(571,400)
Grant Revenues-State	1,800,000	1,800,000	752,051	(1,047,949)
Grant Revenues-Other	92,527	92,527	5,527	(87,000)
Equipment Rental	10,000	10,000	1,911	(8,089)
Product Sales	1,100	1,100	1,391	291
Reimbursements	119,035	119,035	43,669	(75,366)
Other	-	-	-	-
Total revenues	<u>3,486,417</u>	<u>3,486,417</u>	<u>1,751,829</u>	<u>(1,734,588)</u>
Expenditures				
Current:				
Personnel Services	95,747	203,116	200,917	2,199
Legal Advertisements	5,700	5,700	3,848	1,852
Bonding Expense	150	150	150	-
Dues	1,250	1,250	290	960
Postage	2,150	2,150	1,716	434
Newsletter and Meetings	-	1,000	977	23
Mileage and Per Diem	16,800	16,800	13,723	3,077
Supplies-Administration	4,500	4,500	4,382	118
Storage and Meeting Room Rental	3,500	3,900	3,890	10
Audit and Professional	21,300	21,300	15,599	5,701
Meetings and Registration	5,700	11,700	11,134	566
Equipment Maintenance	20,000	24,719	23,108	1,611
Insurance	13,760	13,760	4,008	9,752
Special Projects	-	1,700	1,667	33
Utilities and Telephone	2,800	15,900	15,891	9
Capital Outlay-Building	179,443	185,000	184,649	351
Capital Outlay-Equipment	10,000	10,000	9,761	239
Grant Expense-Federal	1,159,404	1,019,477	473,504	545,973
Grant Expense-State	1,800,000	1,800,000	535,262	1,264,738
Grant Expense-Other	92,527	92,527	7,427	85,100
Debt Service	41,518	41,600	44,548	(2,948)
Other	1,500	1,500	-	1,500
Total expenditures	<u>3,477,749</u>	<u>3,477,749</u>	<u>1,556,451</u>	<u>\$ 1,921,298</u>
Excess (Deficiency) of Revenues over Expenditures	8,668	8,668	195,378	
Cash Balance, Beginning	(4,983)	(4,983)	(4,983)	
Cash Balance, Ending	<u>\$ 3,685</u>	<u>\$ 3,685</u>	<u>\$ 190,395</u>	

Reconciliation to GAAP Basis:

Excess (Deficiency) of Revenues over Expenditures Budgetary Cash Basis	\$ 195,378
Net Change Receivables	(89,752.00)
Net Change Accounts Payable	3,997.00
Net Change in Fund Balance (GAAP) Basis	<u>\$ 109,623</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, 2013**

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 a minimum of five elected supervisors, four of whom must be landowners in the District. Two additional supervisors may be appointed to the District board. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

The financial reporting entity as defined by GASB 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 position) report information on all of the non-fiduciary 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 business-type activities; however it does apply applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

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. Major individual governmental funds are reported as separate columns in the fund financial statements.

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.

**STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Grants are recognized as revenues when all applicable eligibility requirements imposed by the provider are met. 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.

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.

The special revenue funds are utilized to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. No special revenue funds are utilized as of June 30, 2013.

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. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided such as grant administration fees and interest charged to land owners on loans for conservation projects, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment such as the Bureau of Reclamation (BOR) grant, Bureau of Land Management (BLM) grants, and various state and federal grants. Internally designated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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 Position or Fund Balance

1. Cash, cash equivalent and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The District is also allowed to invest in United States Government obligations. All funds for the District must follow the above investment policies.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the of the asked price on United States treasury bills of the same maturity on the day of deposit.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

2. *Receivables and Payables*

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. All amounts are expected to be repaid within one year.

The loans receivable balance is considered fully collectible therefore no allowance for uncollectible accounts had been established.

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 Eddy County Treasurer and are remitted to the District in the month following collection.

The District's accounts payable consist of amounts due to vendors and service providers such as subcontractors who have worked on conservation projects for the products purchased and service received in the current year but are paid for in the next fiscal year.

3. *Fund Balance*

In accordance with GASB Statement No. 54, fund balances are classified as non-spendable, restricted, committed, assigned or unassigned.

Non-Spendable

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the District's Board of Supervisors should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the District's Board of Supervisors removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The District did not have committed fund balances for the year ended June 30, 2013.

Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and amounts in the general fund that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent, and removal of, is expressed by the Board of Supervisors or the Finance Committee. The District did not have assigned fund balances for the year ended June 30, 2013.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Unassigned

The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

When committed, assigned, and unassigned resources are available for use, it is the District's policy to use committed first followed by followed by assigned and unassigned resources as they are needed.

4. Net Position

Net position is presented on the statement of net position and may be presented in any of three components.

Invested in capital assets, net of related debt

This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. That portion of the debt is included in restricted for capital projects.

Restricted net position

Net position is reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Unrestricted net position

Unrestricted net position consists of net position that does not meet the definition of "invested in capital assets, net of related debt" or "restricted."

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.

In the governmental environment, net position often is designated to indicate that management does not consider them to be available for general operations. In contrast to restricted net position, these types of constraints on resources are internal and management can remove or modify them however, enabling legislation established by the reporting government should not be construed as an internal constraint.

5. 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.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

Buildings	39 years
Vehicles	5 years
Office Equipment	5 years
Light Equipment	10 years
Computer Equipment	5 years

The net investment in capital assets reported in the statement of net position is the amount equal to capital assets less related debt.

6. *Compensated Absences*

It is the District's policy to permit certain employees excluding the Program Director to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District 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 are due and payable at year end, for example, as a result of resignations and retirements.

According to District policy, employees accrue leave at six hours per month not to exceed 160 hours.

7. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net position. Bond premiums and discounts, as well as issuance costs, are expensed in the period incurred. Bonds payable are reported net of the applicable bond premium or discounts.

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

8. *Estimates*

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

Stewardship, Compliance and Accountability

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:

Prior to April 1, the Budget Committee submits to the District Board of Supervisors a proposed revenue and expenditure budget for the fiscal year beginning July 1.

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

STATE OF NEW MEXICO
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

Prior to June 20, the approved budget is submitted to the State of New Mexico, Department of Finance and Administration, Local Government Division (DFA-LGD) for approval by the first Monday of September. The Board receives notice of the approved budget.

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.

Detailed Notes on all Funds

A. Cash

As of June 30, 2013, the District had a carrying amount of deposits as authorized by the New Mexico Constitution of \$190,370. The balances on deposit as of June 30, 2013 were \$207,050. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$98,957 and deposits of \$82,277. There were no uninsured deposits as of June 30, 2013.

The total cash consisted of the following:

Depository	Account Type	Fund Type	Balance Per Depository	Reconciling Items		Balance Per Financial Statements
				Outstanding Checks	Deposits	
My-Bank-Operating	Checking	Operating	\$ 18,401	\$ (13,516)	\$ -	4,885
My-Bank-Water Trust	Checking	Operating	50,972	(72,109)	31,706	10,569
My-Bank-Debt Service	Checking	Operating	49,831	-	-	49,831
My-Bank-Grants	Checking	Operating	46,966	(13,332)	50,571	84,205
NMFA Mellon-Debt Reserve	Checking	Operating	9,738	-	-	9,738
NMFA -Debt Service	Checking	Operating	2,001	-	-	2,001
NMST-Investment	Checking	Operating	7,158	-	-	7,158
NMFA-Debt Reserve	Checking	Operating	21,982	-	-	21,982
NMFA -Debt Service	Checking	Operating	1	-	-	1
Total cash on deposit			\$ 207,050	\$ (98,957)	\$ 82,277	\$ 190,370
Petty Cash						<u>25</u>
Total Cash						\$ 190,395

The following is a summary of depository pledging requirements by the District's depository banks:

Collateral	Cusip	Rate	Maturity	Par	Market Value
Grants Co Gen Rev.	388240EQ2	3.40%	11/15/2016	\$ 75,000	\$ 81,289
Logan NM School	541066BM7	3.00%	4/15/2018	\$ 45,000	46,883
Total FMV of Collateral					128,172
Total Deposits					\$ 190,395
Less: FDIC Insurance					(190,395)
Uninsured Deposits					-
Required Pledge					50%
Pledge Over (Short)					\$ 128,172

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The Authority does not have deposit policy for custodial credit risk. As of June 30, 2013, the District had no custodial credit risk.

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The District has cash in the amount of \$7,158 invested in the State Treasurer Local Government Investment Pool. The Local Government Investment Pool includes the following disclosures:

Interest Rate Risk and Credit Rating- Investment in State Treasurer's LGIP

The District has adopted an Investment Policy that addresses investment interest rate and credit risks by specifying suitable and authorized investments, defining investment diversification and maturity parameters, and requiring collateralization of investments held at financial institutions. The District's investments at June 30, 2013 consisted of two accounts in the New Mexico State Treasurer's Local Government Investment Pool (the Pool), which are stated at fair value. The District's investments at June 30, 2013 consisted of two accounts in the New Mexico State Treasurer's Local Government Investment Pool (the Pool), which are stated at fair value (\$7,158), based on quoted market prices as of June 30, 2013.

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The Pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts in the fund were invested. Participation in the Pool is voluntary. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investment in the Pool is subject to credit risk. The Pool is rated AAAM, by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The prices of securities fluctuate with market interest rates and securities held in a portfolio will decline if market interest rates rise. The Pool's weighted average maturity (WAM) is the key determinant of the tolerance of the investments to rising interest rates. In general, the longer the WAM, the more susceptible the investments are to rising interest rates. At June 30, 2013, the Pool's WAM is 60 days and its rating was AAAM. In accordance with its investment policy, the District, when applicable, manages its exposure to declines in fair values on certificates of deposit by limiting investments to maturities no longer than one year from the date of purchase.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2013, the Pool investments were all in U.S. dollar denominated assets, and as such were not subject to foreign currency risk.

B. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Land	\$ 211,888	\$ -	\$ -	\$ 211,888
Construction in progress	437,653	184,649	-	622,302
Office and computer equipment	9,433	-	-	9,433
Vehicles and Equipment	65,904	32,907	-	98,811
Total capital assets being depreciated	724,878	217,556	-	942,434
Less accumulated depreciation for:				
Vehicles and Equipment	41,697	5,808	-	47,505
Office and computer equipment	9,433	-	-	9,433
Total accumulated depreciation	51,130	5,808	-	56,938
Total capital assets being depreciated, net	\$ 673,748	\$ 211,748	\$ -	\$ 885,486

Depreciation recorded in the government wide financial statements was \$5,808

STATE OF NEW MEXICO
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

C. Long-Term Debt

The District has entered in four loan agreements to fund various needs of the District. All loans bear a 0% interest rate. Long-term obligations of the District are as follows:

	Rate	Maturity	Balance 6/30/12	Additions	(Reductions)	Balance 6/30/13	Due One Year
NMFA - WTB #5	0.00%	6/30/2018	\$ 45,000	\$ -	\$ (3,000)	\$ 42,000	\$ 3,000
NMFA - WTB #6	0.00%	5/1/2028	152,525	-	(9,355)	143,170	9,378
NMFA - WTB #7	0.00%	6/1/2018	97,096	-	(5,955)	91,141	12,142
NMFA - WTB #8	0.00%	6/1/2017	38,262	-	(6,337)	31,925	6,353
NMFA - WTB #9	0.00%	6/1/2020	48,119	-	(5,963)	42,156	5,977
NMFA - WTB #10	0.25%	6/1/2021	48,660	-	(5,353)	43,307	5,366
NMFA - WTB #11	0.00%	6/1/2021	40,550	-	(4,461)	36,089	4,472
NMFA - #15	.45 to 3.08%	5/1/2033	-	50,597	-	50,597	16,850
Compensated Absence			9,603	9,478	(9,603)	9,478	9,478
Total Long-Term Obligations			\$ 479,815	\$ 60,075	\$ (50,027)	\$ 489,863	\$ 73,016

The annual requirements to amortize principal on all debt outstanding as of June 30, 2013, is as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 73,016	\$ 4,687	\$ 77,703
2015	64,371	4,184	68,555
2016	146,657	5,169	151,826
2017	67,998	125	68,123
2018	15,708	89	15,797
2019-2023	122,113	249	122,362
	\$ 489,863	\$ 14,503	\$ 504,366

Other Information

A. Employee Retirement Benefits

Plan Description—substantially all of the District's full-time employees participate in a public employee retirement system authorized under the Public Employee Retirement Act (Chapter 10, Article 12 NMSA 1978). The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, 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 for the plan. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

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 12 NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the years ended June 30, 2013, 2012, and 2011 are \$5,196, \$4,660 and \$4,155 respectively, equal to the amount of required contributions each year.

B. 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 \$1,050,000 for each wrongful act and \$1,050,000 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 \$100,000 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.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

C. Joint Powers Agreement - Pecos River Salt Cedar Control Project

The District entered into a joint powers agreement with New Mexico Energy, Minerals and Natural Resources Department pursuant to NMSA 1978 Section 68-2-6 Inmate Work Camp Program and is responsible for entering into contracts and joint powers agreements with other governmental agencies to promulgate natural resource conservation and rural fire defense, pursuant to the Soil and Water conservation District Act, NMSA 1978 Section 75-20-25.

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

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. Subsequent Accounting Standards Pronouncements

The GASB issued Statement No. 65, *Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position* which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of Net Position by the government that is applicable to a future reporting period, and an acquisition of Net Position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and*

Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The District has implemented this statement.

Other Reports and Information

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
Chairperson, Members of the Board of Supervisors
Claunch-Pinto Soil & Water Conservation District
PO Box 900
Mountainair, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the budgetary comparison for the general fund of Claunch-Pinto Soil and Water Conservation District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Claunch-Pinto Soil and Water Conservation District's basic financial statements and have issued our report thereon dated December 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered Claunch-Pinto Soil and Water Conservation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Claunch-Pinto Soil and Water Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Claunch-Pinto Soil and Water Conservation District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Claunch-Pinto Soil and Water Conservation District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be a material weakness. The material weakness is described as 13-1.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. The significant deficiency is described as 7-1.

Compliance and other matters

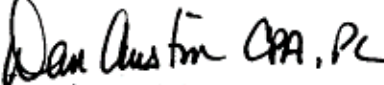
As part of obtaining reasonable assurance about whether Claunch-Pinto Soil and Water Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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 tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying schedule of findings and responses and other disclosures as item 7-1 and 13-1.

Response to Findings

Claunch-Pinto Soil and Water Conservation District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Claunch-Pinto Soil and Water Conservation District's responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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


December 5, 2013

**State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Schedule of Findings and Responses
June 30, 2013**

Financial Statements

Type of auditor's report issued: Unmodified

Internal Control Over Financial Reporting

Material weakness identified? Yes

Significant deficiencies identified not considered
To be material weakness? Yes

Compliance and Other Matters

Noncompliance material to the financial statements noted? Yes

RESOLUTION OF PRIOR YEAR FINDINGS

7-1 Late Audit Report

CURRENT YEAR FINDINGS

07 - 1 Late Audit Report (Significant Deficiency) (Compliance)

Condition: The audit report was not submitted to the New Mexico State Auditor's office by the due date of December 1, 2013.

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

Cause: The Auditor did not complete the engagement by December 1, 2013.

Effect: Noncompliance with state audit rule.

Recommendation: Complete the audit reports in a timely manner.

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

**State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Schedule of Findings and Responses
June 30, 2013**

13 - 1 General Ledger (Material Weakness) (Compliance)

Condition: During test work on cash, we noted the beginning cash balances were not in agreement with prior year audit and certain cash transactions relating to new loan agreements with the New Mexico Finance Authority were not recorded.

Criteria: Section 6-6-3, NMSA 1978 states that revenues and expenditures should be properly authorized, processed and recorded and should have adequate supporting documentation for receipts and disbursements.

Cause: A new quickbooks general ledger was installed and management failed to reconcile beginning balances to prior year audited balances and failed to record current year transactions relating to new loans.

Effect: Inaccurate financial data for reporting to the Board and the Department of finance and administration.

Recommendation: We recommend that management take more care in the preparation of the District's general ledger to insure accurate financial reporting to various interested parties.

Response: The District will work to maintain an accurate general ledger in the future and reconcile beginning balances to audited balances.

**State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Other Disclosures
June 30, 2013**

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 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 December 6, 2013, an exit conference was held at the District's administrative offices. Present were Felipe Lavoto, Chairman, Diedre Tarr, District Manager, Richard Shovelin, Secretary/Treasurer Dan Austin, CPA, representing the audit firm. The District's financial condition and report for the year ended June 30, 2013, was discussed as well as other financial reporting considerations.