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January 9, 2015

To the Board of Supervisors
Claunch-Pinto Soil and Water Conservation District

On this date the State of New Mexico released your audit for the fiscal year ended June 30, 2014.

We have audited the financial statements of the governmental activities of Claunch-Pinto Soil and Water Conservation District for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards governmental auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you November 6, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Claunch-Pinto Soil and Water Conservation District are described in the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during year ended June 30, 2014. We noted no transactions entered into by Claunch-Pinto Soil and Water Conservation District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 21, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Claunch-Pinto Soil and Water Conservation District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Claunch-Pinto Soil and Water Conservation District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

Management elected to omit the management discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements.

Restriction on Use

This information is intended solely for the use of Claunch-Pinto Soil and Water Conservation District and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

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

Dan Austin CPA, PC



Tim Keller
State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR
Elected for Better Government

January 9, 2015

SAO Ref. No. 8010

Felipe Lovato Jr., Chairman
Claunch-Pinto Soil & Water Conservation District
P.O. Box 129
Mountainair, NM 87036-0129

SUBJECT: Audit Report—Claunch-Pinto Soil & Water Conservation District—2013-2014 Fiscal Year--
Prepared by Dan Austin, CPA, PC

The audit report for your agency was received by the Office of the State Auditor (Office) on December 1, 2014. The State Auditor's review of the audit report required by Section 12-6-14 (B), NMSA 1978 and 2.2.2.13 NMAC has been completed. This letter is your authorization to make the final payment to the independent public accountant (IPA) who contracted to perform your agency's financial and compliance audit. In accordance with Section 2 of the audit contract, the IPA is required to deliver the specified number of copies of the audit report to the agency.

Pursuant to Section 12-6-5 NMSA 1978, the audit report does not become public record until five days after the date of this release letter, unless your agency has already submitted a written waiver to the Office. Once the five-day period has expired or upon the Office's receipt of a written waiver, the audit report shall be:

- released by the Office to the Legislative Finance Committee, and the Department of Finance and Administration; and
- posted by the Office to our website
- presented by your agency to a quorum of the agency's governing authority at a public meeting, for approval per Section 2.2.2.10(J)(3)(d) of NMAC, *Requirements for Contracting and Conducting Audits of Agencies*.

The independent public accountant's findings and comments are included in the audit report on pages none. **It is ultimately the responsibility of the governing authority of the agency to take corrective action on all findings and comments.** Section 2.2.2.10(J) NMAC requires that an exit conference be held with representatives of the agency's governing authority and top management. **If you are required to present the audit report at a public meeting please provide notice of the date and time of the meeting to our office.**

A handwritten signature in black ink, appearing to read "Tim", followed by a long horizontal flourish.

TIM KELLER
STATE AUDITOR

cc: Dan Austin, CPA, PC

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STATE OF NEW MEXICO
CLAUNCH-PINTO
SOIL AND WATER CONSERVATION DISTRICT
FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2014
(With Independent Auditor's Report Thereon)

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Table of Contents
June 30, 2014

Table of Contents	1
Introductory Section	
Official Roster	3
Financial Section	
Independent Auditor's Report	5
Basic Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements	
Balance Sheet - Governmental Funds	9
Reconciliation of the Balance Sheet to Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds	11
Reconciliation of the Statement of Activities to the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	12
Statement of Revenues and Expenditures-Budget and Actual(Non-GAAP Budgetary Basis) General and Special Revenue Funds	13
Notes to the Financial Statements	14
Other Reports and Information	
Schedule of Expenditure of Federal Awards	24
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	25
Report on Compliance with Requirement Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB A-133	26
Schedule of Findings and Responses	28
Other Disclosures	29

Introductory Section

**State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Official Roster
June 30, 2014**

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, 2014, 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, 2014, 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

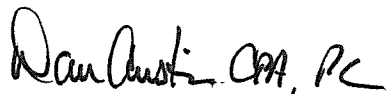
Required Supplementary Information

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.

Our audit was conducted for the purpose of forming opinions on Claunch-Pinto Soil and Water Conservation District financial statements and the budgetary comparison of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison for the general fund and major special revenue fund. 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 State, Local Governments, and Non-Profit Organizations, as is not a required part of the financial statements. The additional schedules listed as "other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, additional statement and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, We have also issued a report dated November 21, 2014, 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.



November 21, 2014

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 221,544
Receivables-Grants and Other	854
Capital assets, Net	<u>1,227,066</u>
Total assets	<u>1,449,464</u>
Liabilities	
Accounts payable	1,376
Debt Due within one year	73,115
Debt Due in more than one year	<u>713,529</u>
Total liabilities	<u>788,020</u>
Net Position	
Net Investment in capital assets	623,949
Restricted for debt service	37,495
Unrestricted	<u>-</u>
Total net position	<u><u>\$ 661,444</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, 2014

	<u>Governmental Activities</u>
Program Expenses:	
Administration	\$ 285,498
Conservation	<u>1,519,737</u>
Total program expenses	<u>1,805,235</u>
Program Revenues:	
Charges for services	5,775
Federal operating grants and contracts	586,815
State operating grants and contracts	1,040,266
Technical Fees	45,704
Reimbursements	104,991
Other Revenue	<u>10,477</u>
Total program revenues	<u>1,794,028</u>
Net program (expense) revenue	<u>(11,207)</u>
General Revenues:	
State appropriation	12,907
Property taxes	65,876
Interest	<u>350</u>
Total general revenues	<u>79,133</u>
Change in net position	67,926
Net position at beginning of year	<u>593,518</u>
Net position at end of year	<u><u>\$ 661,444</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, 2014

	General Fund
Assets	
Cash and cash equivalents	\$ 221,544
Receivables	854
Total assets	\$ 222,398
Liabilities and fund balance	
Liabilities:	
Accounts Payable	\$ 1,376
Deferred Income	-
Total liabilities	1,376
Fund balance:	
Restricted of Debt Service	37,495
Unassigned	183,527
Total fund balance	221,022
Total liabilities and fund balance	\$ 222,398

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, 2014

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	\$	221,022
Capital assets, net of accumulated depreciation		1,227,066
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Long-term debt	\$ (777,067)	
Compensated absences	(9,577)	(786,644)
Net Position - Statement of Net Position	\$	<u>661,444</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, 2014

	General Fund
Revenues	
State Appropriation-NMDA	12,907
Mill levy	65,876
Technical Fees and Grant Administration	45,704
Interest Income	350
Reimbursements	104,991
Grant Revenues-Federal	586,815
Grant Revenues-State	1,040,266
Other Revenues	16,252
Total revenues	1,873,161
Expenditures	
Conservation:	
Current:	
Personnel Services	175,424
Legal Advertisements	1,084
Dues	200
Postage	957
Education	2,036
Mileage and Per Diem	13,755
Supplies and Administration	5,514
Rents and Meeting Room Rental	3,819
Audit and Professional	21,760
Insurance	8,149
Building Maintenance	5,818
Equipment Maintenance	2,451
Utilities and Phone	4,482
Vehicle Operations	23,892
Grant Expense-Federal	525,740
Grant Expense-State	993,997
Debt Service	63,593
Total expenditures	1,852,671
Excess (Deficiency) of Revenues Over Expenditures	20,490
Other Financing Sources(Uses)	
WTB Loan Proceeds	354,269
Capital Outlay Building	(351,622)
Total Other Financing Sources(Uses)	2,647
Net Change in Fund Balance	23,137
Fund balance beginning of year as reported	197,885
Fund balance end of year	\$ 221,022

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, 2014

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

Net change in fund balance - Governmental Funds	\$ 23,137
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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.	(354,048)
--	-----------

Principal reduction in long-term debt recorded as an expenditure in the governmental funds.	57,366
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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	(99)
----------------------	------

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	\$ 351,622	
Depreciation expense	<u>(10,052)</u>	<u>341,570</u>

Change in net position - Statement of Activities	<u>\$ 67,926</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, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
State Appropriation	\$ 12,907	\$ 12,907	\$ 12,907	\$ -
Mill levy	56,791	56,791	68,179	11,388
Technical Fees and Grant Administration	50,000	50,000	45,704	(4,296)
Interest income	200	200	350	150
NMFA Loan Proceeds	-	354,275	354,269	(6)
Grant Revenues-Federal	720,000	720,000	586,815	(133,185)
Grant Revenues-State	1,800,000	1,800,000	1,046,077	(753,923)
Other Grants	70,000	70,000	-	-
Equipment Rental	10,000	10,000	10,477	477
Building Rental	42,696	42,696	-	(42,696)
Product Sales	-	-	5,775	5,775
Reimbursements	125,228	125,228	104,991	(20,237)
Total revenues	<u>2,887,822</u>	<u>3,242,097</u>	<u>2,235,544</u>	<u>(936,553)</u>
Expenditures				
Current:				
Personnel Services	98,875	175,424	175,424	-
Legal Advertisements	5,700	1,084	1,084	-
Dues	750	750	200	550
Education	5,700	2,931	2,036	-
Postage	2,150	2,150	957	1,193
Mileage and Per Diem	16,800	16,800	13,755	3,045
Supplies-Administration	4,500	5,514	5,514	-
Facilities Rental	-	3,819	3,819	-
Audit and Professional	20,500	21,760	21,760	-
Equipment Maintenance	5,000	3,815	2,451	1,364
Building Maintenance	3,500	5,818	5,818	-
Insurance	5,000	9,411	9,411	-
Vehicle Expense	20,000	23,100	23,100	-
Utilities and Telephone	5,600	5,600	4,114	1,486
Capital Outlay-Building	-	354,274	351,622	2,652
Capital Outlay-Equipment	3,000	3,000	-	3,000
Grant Expense-Federal	720,000	658,956	525,740	133,216
Grant Expense-State	1,800,000	1,777,144	993,997	783,147
Debt Service	63,798	63,798	63,593	205
Total expenditures	<u>2,780,873</u>	<u>3,135,148</u>	<u>2,204,395</u>	<u>\$ 929,858</u>
Excess (Deficiency) of Revenues over Expenditures	106,949	106,949	31,149	
Cash Balance, Beginning	190,395	190,395	190,395	
Cash Balance, Ending	<u>\$ 297,344</u>	<u>\$ 297,344</u>	<u>\$ 221,544</u>	
Reconciliation to GAAP Basis:				
Excess (Deficiency) of Revenues over Expenditures Budgetary Cash Basis			\$ 31,149	
Net Change Receivables			(8,114)	
Net Change Accounts Payable			102	
Net Change in Fund Balance (GAAP) Basis			<u>\$ 23,137</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, 2014

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, 2014

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, 2014

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, 2014

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, 2014.

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, 2014.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014

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
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014, the District had a carrying amount of deposits as authorized by the New Mexico Constitution of \$221,519. The balances on deposit as of June 30, 2014 were \$201,893. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$114,072 and deposits of \$133,698. There were no uninsured deposits as of June 30, 2014.

The total cash consisted of the following:

Depository	Account Type	Fund Type	Balance Per Depository	Reconciling Items Outstanding Checks	Deposits	Balance Per Financial Statements
My-Bank-Operating	Checking	Operating	\$ 88,875	\$ (975)	\$ -	87,900
My-Bank-Water Trust	Checking	Operating	24,755	(104,097)	133,698	54,356
My-Bank-Debt Service	Checking	Operating	9,917	-	-	9,917
My-Bank-Grants	Checking	Operating	33,685	(9,000)	-	24,685
NMFA Mellon-Debt Reserve	Checking	Operating	9,751	-	-	9,751
NMFA -Debt Service	Checking	Operating	2,029	-	-	2,029
NMST-Investment	Checking	Operating	7,166	-	-	7,166
NMFA-Debt Reserve	Checking	Operating	3,667	-	-	3,667
NMFA -Debt Service	Checking	Operating	22,048	-	-	22,048
Total cash on deposit			\$ 201,893	\$ (114,072)	\$ 133,698	\$ 221,519
Petty Cash						25
Total Cash						\$ 221,544

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	\$ 80,018
Logan NM School	541066BM7	3.00%	4/15/2018	\$ 45,000	47,143
Total FMV of Collateral					127,161
Total Deposits					\$ 190,395
Less: FDIC Insurance					(190,395)
Uninsured Deposits					-
Required Pledge					50% -
Pledge Over (Short)					\$ 127,161

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, 2014, the District had no custodial credit risk.

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:

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014 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, 2014 consisted of two accounts in the New Mexico State Treasurer's Local Government Investment Pool (the Pool), which are stated at fair value (\$7,166), based on quoted market prices as of June 30, 2014.

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, 2014, 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, 2014, 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, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Land	\$ 211,888	\$ -	\$ -	\$ 211,888
Construction in progress	622,302	351,622	973,924	-
Buildings	-	973,924	-	973,924
Office and computer equipment	9,433	-	-	9,433
Vehicles and Equipment	98,811	-	-	98,811
Total capital assets being depreciated	942,434	1,325,546	973,924	1,294,056
Less accumulated depreciation for:				
Buildings	-	2,081	-	2,081
Vehicles and Equipment	47,505	7,971	-	55,476
Office and computer equipment	9,433	-	-	9,433
Total accumulated depreciation	56,938	10,052	-	66,990
Total capital assets being depreciated, net	\$ 885,496	\$ 1,315,494	\$ 973,924	\$ 1,227,066

Depreciation recorded in the government wide financial statements was \$10,052.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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 6/30/13	Additions	(Reductions)	Balance 6/30/14	Due One Year
NMFA - WTB #5	0.00%	6/30/2018	\$ 42,000	\$ -	\$ (3,000)	\$ 39,000	\$ 3,000
NMFA - WTB #6	0.00%	5/1/2028	143,170	-	(9,378)	133,792	\$ 9,378
NMFA - WTB #7	0.00%	6/1/2018	91,141	-	(5,970)	85,171	12,142
NMFA - WTB #8	0.00%	6/1/2017	31,925	-	(6,353)	25,572	6,353
NMFA - WTB #9	0.00%	6/1/2020	42,156	-	(5,977)	36,179	5,977
NMFA - WTB #10	0.25%	6/1/2021	43,307	-	(5,366)	37,941	5,366
NMFA - WTB #11	0.00%	6/1/2021	36,089	-	(4,472)	31,617	4,472
NMFA - WTB#15	.45 to 3.08%	5/1/2033	50,597	354,048	(16,850)	387,795	16,850
Compensated Absence			9,478	9,577	(9,478)	9,577	9,577
Total Long-Term Obligations			<u>\$ 489,863</u>	<u>\$ 363,625</u>	<u>\$ (66,844)</u>	<u>\$ 786,644</u>	<u>\$ 73,115</u>

The annual requirement to amortize principal on all debt outstanding as of June 30, 2014, is as follows:

Fiscal Year	Principal	Interest	Total
2015	\$ 74,008	\$ 4,184	\$ 78,192
2016	112,077	4,159	116,236
2017	92,120	3,781	95,901
2018	56,209	3,471	59,680
2019	56,682	3,152	59,834
2020-2024	177,340	8,478	185,818
2025-2029	130,400	-	130,400
2030-2033	87,808	-	87,808
	<u>\$ 786,644</u>	<u>\$ 27,225</u>	<u>\$ 813,869</u>

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, 2014, 2013, and 2012 are \$5,137, \$5,196 and \$4,660 respectively, equal to the amount of required contributions each year.

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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.

C. Joint Powers Agreements

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

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

GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. The statement replaces the requirements of GASBS 27. Accounting for Pensions by State and Local Governmental Employers and the requirements of GASBS 50 Pension Disclosures, as they related to pensions that are provided through pension plans administered as trusts. The requirements of Statements 27 and 50 remain applicable for pensions that are covered by GASBS 68. This statement is effective for financial statements for fiscal years beginning after June 15, 2014. The District is reviewing the effects of the implementation of this statement.

GASB issued Statement No. 70 Accounting and *Financial reporting for Non-exchange Financial Guarantees* which is effective for financial statements for periods beginning after June 15, 2013. This statement established accounting and financial reporting standards for financial guarantees that are non-exchange transaction extended or received by a state or local government. A non-exchange financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, which requires the guarantor to indemnify a third-party obligation holder under specified conditions. This statement is effective for financial statements for reporting periods beginning after June 15, 2013. The District has reviewed the statement and has determined that it does not apply to the District.

Other Reports and Information

**STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014**

Name of Agency Program	Grant ID #	CFDA #	Total Awards Expended
United States Department of Agriculture Forest Service			
Passed through the New Mexico Energy, Minerals and Natural Resources Department:			
Cooperative Forestry Assistance	11-DG-11031600-038	10.664	\$ 420,228
Collaborative Forest Restoration	12-05-1015	10.679	105,512
Total			<u>\$ 525,740</u>

Notes to the Schedule:

(1) Schedule is prepared on the modified accrual basis.

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**

INDEPENDENT AUDITORS' REPORT

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

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, 2014, 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 November 21, 2014.

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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

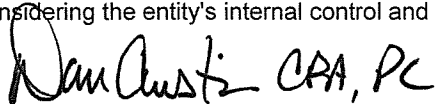
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

 Dan Austin CPA, PC

November 21, 2014

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

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major Federal Program

We have audited Claunch-Pinto Soil and Water Conservation District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that have a direct and material effect on each of Claunch-Pinto Soil and Water Conservation District's major federal programs for the year ended June 30, 2014. Claunch-Pinto Soil and Water Conservation District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Claunch-Pinto Soil and Water Conservation District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Claunch-Pinto Soil and Water Conservation District's compliance.

Opinion on Each Major Federal Program

In our opinion, Claunch-Pinto Soil and Water Conservation District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

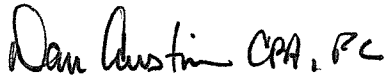
Report on Internal Control Over Compliance

Management of Claunch-Pinto Soil and Water Conservation District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Claunch-Pinto Soil and Water Conservation District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material *weaknesses* or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



November 21, 2014

**State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Schedule of Audit Findings, Recommendations, Responses and Other Disclosures
June 30, 2014**

Summary of Auditors Results:

Financial Statements

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

CFDA
Number
10.664

Federal Program
Cooperative Forestry Assistance

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

- 07-1 Late Audit Report – Resolved
13-1 General Ledger - Resolved

**State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Schedule of Audit Findings, Recommendations, Responses and Other Disclosures
June 30, 2014**

CURRENT YEAR FINDINGS

No findings.

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 November 21, 2014, an exit conference was held at the District's administrative offices. Present were Felipe Lovato, Chairman, Jerry Melaragno, Secretary/Treasurer, Dierdre Tarr, District Manager, Dan Austin, CPA, representing the audit firm. The District financial condition and report for the year ended June 30, 2014, was discussed as well as other financial reporting considerations.