

**State of New Mexico
Claunch-Pinto Soil and Water Conservation District**

Audited Financial Statements

Year Ended June 30, 2021

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

Introductory Section

Claunch-Pinto Soil and Water Conservation District
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June 30, 2021

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**Claunch-Pinto Soil and Water Conservation District
Official Roster
June 30, 2021**

Board Members

Felipe Lavato, Jr.
LeRoy Candelaria
David Cain
Jack D. Lockridge
Robin Dunn
Larry Gomez
Dan Williams

Chairperson
Vice-Chairperson
Secretary
Treasurer
Member
Member
Member

Administration

Dierdre Tarr
Vernon Kohler

District Manager
Technician

Financial Section

**Dan Austin CPA, PC
700 Mechem Drive
Suite 15
Ruidoso, New Mexico 88345**

INDEPENDENT AUDITOR'S REPORT

Brian Colón, New Mexico Office of the State Auditor
Members of the Board of Directors
Claunch-Pinto Soil and Water Conservation District
Mountainair, New Mexico

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of Claunch-Pinto Soil and Water Conservation District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the 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 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective budgetary comparisons for the general fund and major special revenue funds 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 Management's Discussion and Analysis 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 Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of the Proportionate Share of Net Pension Liability and the Schedule of Contributions, the notes to the Required Supplementary Information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as noted in the table of contents required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 8, 2021, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 the District's internal control over financial reporting and compliance.



Dan Austin CPA, PC
Ruidoso, New Mexico
December 8, 2021

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash	\$ 109,799
Taxes Receivable	6,225
Grants Receivable	45,066
Total Current Assets	<u>161,090</u>
Noncurrent Assets	
Net Capital Assets	<u>1,308,850</u>
Total Noncurrent Assets	<u>1,308,850</u>
Deferred Outflows of Resources	
Deferred Outflows-Pensions	<u>33,848</u>
Total Deferred Outflows of Resources	<u>33,848</u>
Total Assets and Deferred Outflows	<u><u>\$ 1,503,788</u></u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 52,060
Accrued Compensated Absences	5,550
Current Portion of Long-term Debt	69,811
Total Current Liabilities	<u>127,421</u>
Noncurrent Liabilities	
Notes Payable-New Mexico Finance Authority	412,509
Notes Payable-Equipment	59,407
Net Pension Payable	116,311
Less: Current Portion	<u>(69,811)</u>
Total Noncurrent Liabilities	<u>518,416</u>
Total Liabilities	<u>645,837</u>
Deferred Inflows of Resources	
Deferred Inflows-Pensions	<u>2,391</u>
Total Deferred Inflows	<u>2,391</u>
Net Position	
Net Investment in Capital Assets	990,522
Restricted for Debt Service	35,982
Unrestricted	<u>(170,944)</u>
Total Net Position	<u>855,560</u>
Total Liabilities, Net Position and Deferred Inflows	<u><u>\$ 1,503,788</u></u>

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

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Statement of Activities
June 30, 2021

	Program Revenues				Net (Expense) Revenue And Changes In Net Position	
	Charges For		Operating	Capital	Primary Governmental Activities	
	Expenses	Services/Other	Grants And Contributions	Grants And Contributions		
Functions/Programs						
Primary Government:						
Governmental Activities:						
Conservation	\$ 1,535,538	\$ 153,827	\$ 1,245,294	\$ 136,876	\$	459
Interest	4,797	-	-	-		(4,797)
Total Governmental Activities	<u>1,540,335</u>	<u>153,827</u>	<u>1,245,294</u>	<u>136,876</u>		<u>(4,338)</u>
General Revenues:						
Property Taxes, Levied for General Purposes						80,262
Interest Income						308
Total General Revenues						<u>80,570</u>
Change In Net Position						76,232
Net Position - Beginning						<u>779,328</u>
Net Position - Ending					\$	<u>855,560</u>

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

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Balance Sheet - Government Funds
June 30, 2021

	<u>General Fund</u>
Assets	
Cash, Unrestricted	\$ 73,817
Cash, Restricted	35,982
Taxes Receivable	6,225
Grants Receivable	<u>45,066</u>
 Total Assets	 <u>\$ 161,090</u>
Liabilities	
Accounts Payable	\$ 52,060
Other Payables	<u>5,475</u>
 Total Liabilities	 <u>57,535</u>
Fund Balances	
Retricted for Debt Service	35,982
Unassigned For:	
General Fund	<u>67,573</u>
Total Fund Balances	<u>103,555</u>
 Total Liabilities deferred inflows of Resources and Fund Balances	 <u>\$ 161,090</u>

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

State of New Mexico
Claunh-Pinto Soil and Water Conservation District
Reconciliation of Total Governmental Fund Balance
To Net Position of Governmental Activities
June 30, 2021

Total Governmental Fund Balance	\$ 103,555
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,308,850
Deferred Property Tax	-
Deferred Outflows related to Pensions	5,475
Deferred Inflows related to Pensions	33,848
	(2,391)
	-
Compensated absences payable and not reported as liabilities on the governmental fund statements	(5,550)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Notes Payable	(471,916)
Net Pensions Payable	(116,311)
	<u>855,560</u>
Net Position of Governmental Activities	\$ <u>855,560</u>

The accompanying notes to the basic 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 Balances -
 Governmental Funds
 For The Year Ended June 30, 2021

	General Fund
Revenues	
Taxes-Property	\$ 81,168
Grants-Federal	595,761
Grants-State	721,475
Grants-Local	47,500
Intergovernmental-State	17,434
Investment Income	308
Miscellaneous	153,827
Total Revenues	<u>1,617,473</u>
Expenditures	
General Government-Conservation	1,502,050
Capital Outlay	125,229
Debt Service-Principal and Interest	40,720
Total Expenditures	<u>1,667,999</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(50,526)</u>
Other Financing Sources (Uses):	
Operating Transfers, Net	-
Total Other Financing Sources (Uses)	<u>-</u>
Net Change in Fund Balances	(50,526)
Beginning Fund Balance	<u>154,081</u>
Fund Balance (Deficit) At End Of Year	<u>\$ 103,555</u>

The accompanying notes to the basic 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 Revenues, Expenditures
and Changes in Fund Balance of Governmental Funds to
the Statement of Activities
June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$	(50,526)
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Amounts reported for governmental activities in the statement of activities are different because:

Note Payable Principal		35,923
Change in Deferred Inflow-Property Tax		(906)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense was more than capital outlays in the current period.

Capital Outlays	\$	124,210	
Depreciation Expense		<u>(39,617)</u>	84,593

Net change in compensated absences payable for governmental funds		245
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Net change in pension contributions and pension expense		<u>6,903</u>
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Change in Net Position of Governmental Activities	\$	<u><u>76,232</u></u>
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The accompanying notes to the basic financial statements are an integral part of this statement.

State of New Mexico
 Claunh-Pinto Soil and Water Conservation District
 Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budgeted to Actual (Non-GAAP Budgetary Basis) - General Fund
 For The Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Taxes-Property	\$ 65,100	\$ 65,100	\$ 82,272	\$ 17,172
Grants-Federal	1,200,000	1,200,000	595,761	(604,239)
Grants-State	3,161,876	3,161,876	726,151	(2,435,725)
Grants-Other	50,000	50,000	47,500	(2,500)
Intergovernmental-State	14,000	14,000	17,434	3,434
Building Rents	76,300	76,300	32,922	(43,378)
Sales and Services	285,472	285,472	120,905	
Interest	-	-	308	308
Total Revenue	4,852,748	4,852,748	1,623,253	\$ (3,064,928)
Budgeted Cash Balance	151,207	151,207		
Total Revenue And Cash	\$ 5,003,955	\$ 5,003,955		
EXPENDITURES				
Current				
General Government-Conservation	44,542,825	4,542,825	1,489,138	3,053,687
Capital Outlay	150,000	150,000	125,229	24,771
Debt Service-Principal & Interest	63,514	63,514	40,720	22,794
Total Expenditures	44,756,339	4,756,339	1,655,087	3,101,252
OTHER FINANCING SOURCES (USES)				
Operating Transfers (Net)	-	-	-	-
Total Expenditures And Other Financing Sources	\$ 44,756,339	\$ 4,756,339	1,655,087	\$ 3,101,252
Total Revenues (Expenditures and Other Financing Sources and Uses)			(31,834)	
Reconciliation to Fund Basis				
Changes in Receivables			(6,686)	
Changes in Accounts Payable/Other Payable			(12,006)	
Excess (Deficiency) of Revenues over expenditures			\$ (50,526)	

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

**STATE OF NEW MEXICO
Claunch-Pinto Soil and Water Conservation District
Notes to Financial Statements
June 30, 2021**

NOTE 1. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Claunch-Pinto Soil and Water Conservation District (District) is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of the District's management who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. The more significant of the government's accounting policies are described below.

A. Financial 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 consists of the primary government, and any another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Based upon the application of these criteria, there are no component units of the District. The District is not considered a component unit of another governmental agency during the fiscal year ended June 30, 2021.

B. Government-Wide Financial Statements

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and Intergovernmental revenues, are reported separately from business-type activities, which rely on a significant extent on fees and charges for support. The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. 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 activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

The net cost (by function of governmental-type activity) is normally covered by general revenues (mill levy, sales, franchise, public service taxes, interest income, etc.). The district does not allocate indirect costs. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term is considered an indirect expense and is reported separately on the Statement of Activities.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues, or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

D. 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. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund level financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Generally, intergovernmental revenues and grants are recognized when all eligibility requirements are met, and the revenues are available. Expenditures generally are 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, are recorded only when payment is due.

Mill levy, franchise, sales, and public service tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial.

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

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Governmental funds include:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through mill levy and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the District except for items included in other funds.

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Under the requirements of GASB No. 34, the District is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include only the General Fund.

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. Revenues are provided primarily through property, gross receipts, and other miscellaneous taxes.

As a rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

Program revenues reduce the cost of the function to be financed from the District's general revenues. Amounts reported as *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*. 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.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are directly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified function and is included in the direct expense of each function. Interest on general and long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to Intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the District; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

C. Assets, Liabilities and Net Positions or Equity

Cash 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 District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Receivables and Payables: All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Payables are comprised of unpaid vendor and supplier invoices and are recognized when incurred.

Inventory: Inventory consists of various system materials and supplies used to maintain and operate the water system. Inventory is maintained on a cost basis.

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the

government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Water rights and land are not subject to depreciation and are carried at their historical costs. Because the District is a phase III government for purposes of implementing GASB 34, it is not required to retroactively report its major general infrastructure assets. However, it must report all infrastructure assets purchased or built after July 1, 2003. Donated capital assets are recorded at estimated fair market value at the date of donation. The District does not develop any software. The District annually reviews the impairment of all water rights and adjusts the carrying values as necessary.

Information Technology Equipment including software is being capitalized and included in furniture and fixtures in accordance with NMAC 2.20.1.9 C (5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

<u>Assets</u>	<u>Years</u>
Buildings	20-39
Furniture Fixtures and Equipment	5-7
Automobiles	5-7

Accrued Expenses: Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2021, along with applicable payroll taxes.

Long-term Obligations: In the financial statements, long-term debt and other long-term obligations are reported as liabilities. For bonds issued after the District implemented GASB 34. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Deferred Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time.

Deferred Inflows of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources.

Compensated Absences: Management has not recorded a liability for compensated absences in business-type activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that compensated absences attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenditures of the business-type activities. The amount by which this departure would affect the liabilities and expenses of the business-type activities is not reasonably determinable.

Equity Classifications:

Fund Balance: Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent: The following classifications may be used:

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 Board of Trustees should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the District's Board of Trustees removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

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 Trustees or the Finance Committee. The District did not have assigned fund balances for the year ended June 30, 2021.

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 assigned and unassigned resources as they are needed.

Net Position and Fund Equity:

Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

In the government-wide financial statements, fund equity is classified as net position and is displayed in three components: Net investment in capital assets:

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.

Restricted Net Position:

Consist of net position with "legally enforceable" constraints placed on the use, either by (1) external groups such as creditors, granters, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Legally enforceable means that a government can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation, only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment. If it is determined that the restrictions continue to be legally enforceable, then for the purposes of financial reporting, the restricted net position should not reflect any reduction for resources used for purposes not stipulated by the enabling legislation. Descriptions for the related restrictions for net position are restricted for "debt service or capital projects."

Unrestricted Net Position:

All other net positions that do not meet the definition of "restricted" or "net investment in capital assets".

Inter-fund Transactions:

Quasi external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non- recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

Estimates:

The preparation of financial statements in conformity with accounting principles 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. Significant estimates affecting the District's financials include management's estimate of the useful lives of capital assets.

Tax Revenues:

The District receives mill levy tax revenues. These taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements

Reclassifications: Certain amounts included in the financial statements have been reclassified to conform to the current year presentation.

Note 2. Stewardship and Accountability**Budgetary Information**

Annual budgets of the District are prepared prior to June 1 and must be approved by District Council resolution and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the District Council and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of the funds for only one year. Carry-over funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, and Special Revenue Funds. The district is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The District Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

The accompanying Statements of Revenues, Expenditures, and Changes in Cash Balance - Budget (non-GMP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2021, is presented. The appropriated budget for the year ended June 30, 2021, was properly amended by the District Board throughout the year. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2021 is presented as part of the budgetary statements.

Note 3. Deposits and Investments

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. The District is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2021.

Deposits of funds may be made in interest or noninterest bearing checking accounts in one or more banks or savings and loan Districts 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 are collateralized by statute. The financial institution must provide pledged collateral of 50% of the deposit in excess of the deposit insurance.

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 asked price on United States treasury bills of the same maturity on the day of deposit.

Excess 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.

The District's investments consisted of the following as of June 30, 2021:

For reporting purposes, the above balances are included as cash and cash equivalent balances as of June 30, 2021.

The State Treasurer is authorized to invest in short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1A and E, NMSA 1978.

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

The investments are valued at fair value based on quoted market prices as of the valuation date. Investments owned by the District and the investment strategy is outlined on New MexiGROW LGIP website:

<http://www.stonm.org/NewMexiGROWLGIP/MonthlyInvestmentReports>.

All of the District's accounts at an insured deposit institution, including noninterest bearing transaction accounts, are insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000.

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 District does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2021, \$786,882 of the District's bank balances of \$1,456,642 was exposed to custodial credit risk. At June 30, 2021, \$0 was uninsured and not collateralized by the depository bank.

The following is a summary of the District's depository relationships:

Depository	Account Type	FDIC Ins	Balance	Reconciling Items		Balance Per
			Per Depository	Outstanding Checks	Deposits	Financial Statements
Restricted:						
New Mexico Finance Authority	Investment	\$ 35,982	\$ 35,982	\$ -	\$ -	\$ 35,982
Unrestricted:						
NM State Treasurer	Investment	7,603	7,603	-	-	7,603
My Bank	Checking	17,784	17,784	(12,852)	14,029	18,961
My Bank	Checking	61,953	61,953	(56,386)	29,953	35,520
My Bank	Checking	22,952	22,952	(7,500)	-	15,452
My Bank	Checking	6,718	6,718	(71,068)	60,608	(3,742)
Total cash on deposit			152,992	(147,806)	104,590	\$ 109,776
Cash on Hand						25
Total Cash						<u>\$ 109,801</u>
Total FDIC Insurance		<u>\$ 152,992</u>	(152,992)			
Total Uninsured Deposits			\$ -			
Less: 50% Deposit NMSA			-			
Required Depository Pledge			-			
Total Pledge			-			
(Over) Under Pledge Per NMSA			\$ -			

Note 4. Receivables

At June 30, 2021 the District has receivables as follows:

Taxes Receivable	\$ 6,225
Grants Receivable	45,066

The District considers all receivables collectible.

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance 6/30/20	Additions	(Reductions)	Balance 6/30/21
Government Activities:				
Capital Assets not being Depreciated				
Land	\$ 211,888	\$ -	\$ -	\$ 211,888
Total capital assets not being depreciated	211,888	-	-	211,888
Capital Assets Being depreciated:				
Buildings and improvements	1,115,267	70,265	-	1,185,532
Vehicles	98,811	53,945	-	152,756
Equipment	9,433	66,228	-	75,661
Total capital assets being depreciated	1,223,511	190,438	-	1,413,949
Total accumulated depreciation	277,370	39,617	-	316,987
Total capital assets being depreciated, net	946,141	150,821	-	1,096,962
Government activity capital assets, net	\$ 1,158,029	\$ 150,821	\$ -	\$ 1,308,850

Governmental activity depreciation was charged to functions as follows:

General Government	\$ 39,617
Other	-
Total depreciation	\$ 39,617

Note 6. Long-Term Debt

The proceeds of the loans were used for the monitoring and restoration of watershed health in District's area. The payments of principal and interest are paid from pledged governmental mill levy and local revenues.

The notes are all secured with an irrevocable lien placed on the pledged revenues to the extent required to pay the outstanding loan amounts and any related interest. The outstanding notes payable contain a provision that in an event of default, the District could be legally compelled to carry out its duties under the law and the loan agreement, (2) cause the District to account for all of the pledged revenues as if it were the trustee of an express trust, and (3) permit the lender to take whatever action at law or in equity may appear necessary or desirable to collect amounts then due and thereafter to become due under the loan agreement. The District's outstanding notes payable do not contain any subjective acceleration clauses to allow the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs. Default remedies entered against the District are limited and may reach only available pledged revenues.

Long-term obligations of the District are as follows:

	Balance 6/30/20	Additions	(Reductions)	Balance 6/30/21	Due Within One Year
Note Payable, payable to NMFA .25% Interest Rate matures 06/01/27	\$ 21,000	\$ -	\$ -	\$ 21,000	\$ 6,000
Note Payable, payable to NMFA .25% Interest Rate matures 8/13/2028	77,025	-	(9,544)	67,481	10,025
Note Payable, payable to NMFA .25% Interest Rate matures 6/1/28	55,111	-	(16)	55,095	5,505
Note Payable, payable to NMFA .25% Interest Rate matures 7/1/2021	5,475	-	(14)	5,461	5,461
Note Payable, payable to NMFA .25% Interest Rate matures 7/1/2021	4,563	-	(12)	4,551	4,551
Note Payable, payable to NMFA .79% Interest Rate matures 8/13/2033	278,437	-	(19,516)	258,921	20,505
Note Payable-Equipment payable to Delarge 5.52% Interest Rate matures 12/11/2025	-	66,228	(6,821)	59,407	12,214
Compensated Absences	5,795	-	(245)	5,550	5,550
Total Long-Term Obligations	\$ 447,406	\$ 66,228	\$ (36,168)	\$ 477,466	\$ 69,811

The annual requirements to amortize principal on all debt outstanding as of June 30, 2021, is as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 69,811	\$ 5,224	\$ 75,035
2023	53,019	3,205	75,035
2024	54,275	1,795	56,224
2025	46,827	703	56,070
2026	42,500	575	47,530
2027-2030	165,784	325	
2031-2034	45,250	68	45,318
	<u>\$ 477,466</u>	<u>\$ 11,895</u>	<u>\$ 355,212</u>

Note 7. PERA Pension Plans

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

Plan description- The Public Employees Retirement Fund (PERA Fund) is a cost sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 1 1, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-1 IA-1 to 18-1 IA-7 NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18 NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 1 1, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-1 1 NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund, unless specifically excluded.

Benefits provided.

For a description of the benefits provided and recent changes to the benefits, see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2020 at <http://saonm.org/>

Contributions. The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY 20 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 46 through 48 of the PERA FY 20 annual audit report at:

https://reports.saonm.org/media/audits/366-B_NM_PERA_Schedule_of_Employer_Allocation_FY2020.pdf

The PERA coverage options that apply to District are: General Division. Statutorily required contributions to the pension plan from the District were \$12,307 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation

performed as of June 30, 2020. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2020, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2020.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The District's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2020. Only employer contributions for the pay period end dates that fell within the period of July 1, 2019 to June 30, 2020 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2020 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division - the District's General Division, at June 30, 2021, the District reported a liability of \$119,311, its proportionate share of the net pension liability. At June 30, 2020, the District's proportion was 0.0059 percent, which was changed from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized PERA Fund - General, pension expense of \$5,464. At June 30, 2021, the District reported PERA Fund Division - General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,306	\$ -
Change of assumptions	2,208	-
Changes in Proportionionate Share of Contributions	652	2,391
Net Difference between projected and actual earnings on pension investments	21,818	-
Contributions subsequent to the measurement date	<u>5,464</u>	<u>-</u>
Total	<u>\$ 33,448</u>	<u>\$ 2,391</u>

The District reported \$33,448 was reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date June 30, 2020 will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30

2022	\$ 6,840
2023	7,383
2024	6,017
2025	5,353
2026	-
There After	-

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on

actuarial valuations performed as of June 30, 2020 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2020 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2020. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2020 actuarial valuation.

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year Smoothed Market Value
Actuarial assumptions:	
• Investment of rate of return	7.25% Static
• Payroll growth	3 % Static
• Projected benefit payment	100 Years
• Projected salary increases	3.25 to 13.50% annual rate
• Includes inflation at	2.50 Static
• Mortality Assumption	RP-2014 Blue Collar Mortality.

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

ALL FUNDS - Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	35.50	7.48%
Risk Reduction & Mitigation	19.50	2.37
Credit Oriented Fixed Income	15.00	5.47
Real Assets including Real Estate	20.00	6.48
Multi Risk Allocation	10.00	
Total	100.0%	

Discount rate: The single discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.25% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the District's net pension liability in each PERA Fund Division that District participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.25%) or one percentage point higher (8.25%) than the single discount rate.

PERA Fund Division – General	1 % Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	\$170,823	116,311	\$76,598

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY 20 PERA financial report. The report is available at <http://www.nmpera.org/>.

Payables to the pension plan. At June 30, 2021, the District had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2021.

Note 8. Retirement Plan

The District has elected not to participate in either the New Mexico Public Employees Retirement District (PERA) or the New Mexico Retiree Health Care Act. Therefore, the Association is not required to implement the following GASB statements:

- GASB Statement No. 68 - Financial Reporting for Pension Plans -An Amendment to GASB Statement 27,
- GASB Statement No. 71 -Pension Transition for Contributions Made Subsequent to the Measurement Date,
- GASB Statement No. 75 -Accounting and Financial Reporting for Postemployment Benefits other than Pensions.

Note 9. Contingent Liabilities

The District is party to various claims and lawsuits arising in the normal course of business. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the District.

Note 10. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to and destruction of property, errors and omissions and natural disasters. The District purchases commercial liability insurance.

The District has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the District which exceeds the insurance coverage, the District would not be responsible for a loss in excess of the coverage amounts. As claims are filed, commercial liability insurance company assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverages have not changed significantly from prior years and coverages are expected to be continued.

At June 30, 2021, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the District.

The commercial liability insurance company has not provided information on an entity-by-entity basis that would allow for a reconciliation of change taken together liabilities for claims for the current fiscal year and the prior fiscal year.

Note 11. Concentrations

The District depends on financial resources flowing from, or associated with, both the State of New Mexico and residents that are using the system. Because of this dependency, the District is subject to changes in the specific flows of intergovernmental revenues based on modifications to State laws and State appropriations as well as water usage from the residents, which are using the system.

Note 12. Federal and State Grants

In the normal course of operations, the District receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise because of these audits is not believed to be material.

Note 13. Subsequent Events

The date to which events occurring after December 8, 2021. The date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statement or disclosures is December 8, 2021, which is the date on which the financial statements were issued.

Note 14. 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.

Note 15. GASB 77 Tax Abatements

The District is a party to an agreement that involves the abatement of taxes received by the District. The following table outlines key information regarding the entities involved and the type and amount of taxes abated during the year ended June 30, 2021.

Agency number for Agency making the disclosure(Abating Agency)	5030
Abating Agency Name	Torrance County
Abating Agency Type	County
Tax Abatement Agreement Name	High Lonesome Mesa, LLC
Name of agency affected by abatement agreement (Affected Agency)	Claunch-Pinto Soil & Water Conservation District
Agency number of Affected Agency	8010
Agency type of Affected Agency	Special District
Recipient(s) of tax abatement	No
Tax abatement program (name and brief description)	Industrial Revenue Bond - Renewable Engery (Wind Farm)
Specific Tax(es) Being Abated	Property Tax
Authority under which abated tax would have beenpaid to Affected Agency	Property Tax Distribution
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reducedduring the reporting period as a result of the tax abatement agreement	This was set up in 2008 through an IRB and Assessor's office has no record of any values used todetermine any reductions
For any Payments in Lieu of Taxes (PILOTs) or similarpayments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	N/A
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	N/A
Is the abatement amount aggregated?	No
Threshold amount for aggregation	N/A

Note 16. Capital Outlay Appropriations

The District received a New Mexico Capital Outlay Grant per Laws of 2019 House Bill 568, Section 113 Paragraph 1 in the amount of \$85,000 to improve District Facilities. All funds were not expended prior to the reversion date of June 30, 2022 for said improvements. Funds expended in fiscal year 2021 amounted to \$73,265. Balance of funds to expend was \$11,735 in fiscal year 2022.

The District received a New Mexico Capital Outlay Grant per Laws of 2020 House Bill 349, Section 43 Paragraph 17 in the amount of \$60,000 to purchase vehicles for use in District operations. All funds were not expended prior to the reversion date of June 30, 2022 for said equipment. Funds expended in fiscal year 2021 amounted to \$53,945. Balance of funds to expend was 6,055 in fiscal year 2022.

Required Supplementary Information

State of New Mexico
 Clauch-Pinto Soil and Water Conservation District
 Schedule of the Proportionate Share of Net Pension Liability-General
 Pension Plan-Last 10 Fiscal Years
 June 30, 2021

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Clauch Pinto SWCD portion of net pension liability (asset)	0.00690%	0.00670%	0.00700%	0.00630%	0.00590%
Clauch Pinto SWCD proportionate share of the net pension liability (asset)	\$ 53,827 \$	68,312 \$	111,836 \$	86,567 \$	94,068
Clauch Pinto SWCD covered-employee payroll	\$ 71,825 \$	77,104 \$	71,395 \$	71,252 \$	71,215
Clauch Pinto SWCD proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75%	89%	157%	121%	132%
Plan fiduciary net position as a percentage of total pension liability	81.29%	76.95%	69.18%	73.74%	71.13%
Clauch Pinto SWCD portion of net pension liability (asset)	<u>2020</u>	<u>2021</u>			
	0.00600%	0.00590%			
Clauch Pinto SWCD proportionate share of the net pension liability (asset)	\$ 103,866 \$	119,311			
Clauch Pinto SWCD covered-employee payroll	\$ 71,200 \$	77,942			
Clauch Pinto SWCD proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	146%	153%			
Plan fiduciary net position as a percentage of total pension liability	70.52%	66.36%			

**This Schedule is presented to illustrate the requirement to show information for a full 10 years. However, until a full 10 year trend is compiled the Clauch Pinto SWCD will present information for those years for information which is available.

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Schedule of Contributions, PERA Fund Division General
Pension Plan-Last 10 Fiscal Years
June 30, 2021

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 5,315	\$ 5,702	\$ 5,283	\$ 5,273	\$ 5,270
Contributions in relation to the contractually required contribution	(5,315)	(5,702)	(5,283)	(5,273)	(5,270)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Claunch Pinto SWCD covered-employee payroll	\$ 86,184	\$ 88,775	\$ 93,157	\$ 97,816	\$ 113,389
Contributions as a percentage of covered payroll	6.17%	6.42%	5.67%	5.39%	4.65%
Contractually required contribution	<u>\$ 5,447</u>	<u>5,456</u>			
Contributions in relation to the contractually required contribution	(5,447)	(5,456)			
Contribution deficiency (excess)	\$ -	\$ -			
Claunch Pinto SWCD covered-employee payroll	\$ 71,200	\$ 77,942			
Contributions as a percentage of covered payroll	7.65%	7.00%			

**This Schedule is presented to illustrate the requirement to show information for a full 10 years. However, until a full 10 year trend is compiled the Claunch Pinto SWCD will present information for those years for information which is available.

State of New Mexico
Claunch-Pinto Soil and Water Conservation District
Notes to Required Supplemental Information
June 30, 2021

Changes in benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY 20 audit available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2020.pdf.

Changes in assumptions.

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation, June 30 2020 report is available at:

http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2020%20PERA%20Valuation%20Report_FINAL.pdf

Compliance Sections

**Dan Austin CPA, PC
700 Mechem Drive
Suite 15
Ruidoso, New Mexico 88345**

**INDEPENDENT AUDITOR'S 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**

Brian Colón, New Mexico Office of the State Auditor
Members of the Board of Directors
Claunch-Pinto Soil and Water Conservation District
Mountainair, New Mexico

I 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 business-type activities of the Claunch-Pinto Soil and Water Conservation District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the related budget comparisons of the District, presented as supplemental information, and have issued my report thereon dated December 8, 2021.

Internal Control over Financial Reporting

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

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

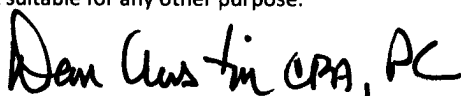
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did identify certain deficiencies in internal control over financial reporting that we consider material weaknesses as items 2021-001, on pages 36 of this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under Government Auditing Standards.

Purpose of this Report

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



Dan Austin CPA, PC
Ruidoso, New Mexico
December 8, 2021

STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF RESULTS, FINDINGS, EXIT CONFERENCE AND OTHER DISCLOSURES
JUNE 30, 2021

Section I – Summary of Auditors' Results

Financial Statements:

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

The following are the results and finding for the year ended June 30, 2021:

Prior Year Findings:

None

Current Year Findings

2021-001 Budget Reports and Internal Accounting – Material Weakness

Condition

Examination of budget reports submitted to DFA and internal general ledgers noted that cash balances and transactions relating to four debt service/grant account cash accounts at the NMFA were not reflected in the books and records of the District resulting in inaccurate financial and budget reporting including interest income, debt service principal and interest.

Criteria

All bank accounts including those non-bank cash accounts at the NMFA should be reconciled monthly to insure accuracy.

Effect

Inaccurate financial reports.

Cause

Lack of Management oversight and review.

Recommendation

Develop policy to require all cash be reconciled monthly and reviewed by a District Treasurer.

Response and Corrective Action Plan: General Ledger for the FYE 21 will be adjusted and correct budget reports will be submitted.

Corrective Action Plan Completion Date: June 30, 2022

Responsible Party: District Manager

**STATE OF NEW MEXICO
CLAUNCH-PINTO SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF RESULTS, FINDINGS, EXIT CONFERENCE AND OTHER DISCLOSURES
JUNE 30, 2021**

Financial Statement Preparation

Although it would be preferred and desirable for the District to prepare its own GAAP-basis financial statements, it is felt that the District's personnel did not have the time to prepare them. Therefore, the outside auditor prepared the GAAP basis financial statements and footnotes for inclusion in the annual audit report from the original books and records provided to them by the management of the District. Management of the District has reviewed and approved these financial statements and related notes and believes the books and records of the government adequately support them.

Exit Conference

An exit conference was held at the office of the District on December 10, 2021 to discuss the financial report. Attending were Felipe Lovato, Jr.-Chairperson, Jack D. Lockridge -Treasurer Dierde Tarr-District Manager and auditor Dan Austin, CPA. The report and other matters were discussed.