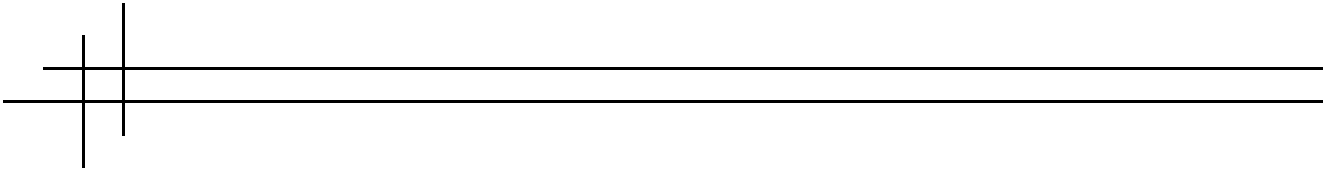




STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
ROSWELL, NEW MEXICO

ANNUAL FINANCIAL REPORT
June 30, 2011

De'Aun Willoughby CPA, PC
Certified Public Accountant
Melrose, New Mexico



STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
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 For the Year Ended June 30, 2011

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STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
Official Roster
June 30, 2011

BOARD OF SUPERVISORS

John Sisk	Chairperson
Aubrey Dunn Jr	Vice-Chairperson
LeRoy Lang	Secretary/Treasurer
Doug Whitney	Supervisor
Anthony Treat	Supervisor
Bill Bonham	Supervisor
Jerry Vaz	Supervisor

DISTRICT PERSONNEL

Joy Wagner	Administrative Assistant
Kelli VanWinkle	Noxious Weed Coordinator

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

Independent Auditor's Report

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board Members of the Chaves Soil & Water Conservation District

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the governmental activities, each major fund and the budgetary comparisons of the general fund and major special revenue fund of the Chaves Soil & Water Conservation District (District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and each major fund and the aggregate remaining fund information of the District as of June 30, 2011, and the respective changes in its financial position and the respective budgetary comparisons for major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 28, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The District has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements and budgetary comparisons presented as supplemental information.

De'Aun Willoughby CPA PC

November 28, 2011

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
 Government-Wide Statement of Net Assets
 June 30, 2011

ASSETS	Governmental Activities
Current Assets	
Cash in Banks	\$ 504,720
Taxes Receivable	1,711
Interest Receivable	3,649
Current Amount of Notes Receivable	93,482
Total Current Assets	<u>603,562</u>
Noncurrent Assets	
Capital Assets	26,758
Less: Accumulated Depreciation	(8,446)
Notes Receivable	448,167
Less: Current Portion	(93,482)
Total Noncurrent Assets	<u>372,997</u>
Total Assets	<u>976,559</u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accrued Salaries and Benefits	0
Current Portion of Long Term Debt	54,204
Total Current Liabilities	<u>54,204</u>
Noncurrent Liabilities	
Loans Payable	551,233
Less Current Portion	(54,204)
Total Noncurrent Liabilities	<u>497,029</u>
Total Liabilities	<u>551,233</u>
Net Assets	
Invested in Capital Assets	18,312
Unrestricted	407,014
Total Net Assets	<u>\$ 425,326</u>

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

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
 Government-Wide Statement of Activities
 For the Year Ended June 30, 2011

	Governmental <u>Activities</u>
Program Expenses:	
Personnel Services	\$ 99,695
Conservation Programs	64,001
Operating Expenses	8,488
Interest	14,781
Total Program Expenses	<u>186,965</u>
Net Program (Expense) Revenue	<u>(186,965)</u>
General Revenues	
Property Taxes	161,417
State Allocation	8,964
Conservation Grant	36,243
Interest Income	22,880
Miscellaneous	17,306
	<u>246,810</u>
Change in Net Assets	59,845
Net Assets at Beginning of Year	<u>365,481</u>
Net Assets at End of Year	<u>\$ 425,326</u>

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

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2011

	General Fund	Loan Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 356,106	\$ 148,614	\$ 504,720
Taxes Receivable	1,711	0	1,711
Interest Receivable	0	3,649	3,649
Notes Receivable	0	448,168	448,168
Total Assets	<u>\$ 357,817</u>	<u>\$ 600,431</u>	<u>\$ 958,248</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accrued Payroll	\$ 0	\$ 0	\$ 0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Restricted, reported in			
Special Fund	0	600,431	600,431
Unassigned, reported in:			
General Fund	357,817	0	357,817
Total Fund Balances	<u>357,817</u>	<u>600,431</u>	<u>958,248</u>
Total Liabilities and Fund Balances	<u>\$ 357,817</u>	<u>\$ 600,431</u>	<u>\$ 958,248</u>

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

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Assets
 June 30, 2011

Total Fund Balance - Governmental Funds \$ 958,248

Amounts reported for governmental activities in the Statement of Net Assets
 are different because:

Capital assets used in governmental activities are not
 financial resources and therefore are not reported as assets
 in governmental funds.

	\$	26,758	
The cost of capital assets		(8,446)	18,312
Accumulated depreciation		(8,446)	

Long-term liabilities, including loans payable, are not due
 and payable in the current period and therefore are not
 reported as liabilities in the funds. Long-term and other
 liabilities at year end consist of :

(551,233)

Total net assets - governmental activities \$ 425,327

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

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2011

	General Fund	Loan Fund	Total
Revenues			
Property Taxes	\$ 161,417	\$ 0	\$ 161,417
State Allocation	8,964	0	8,964
Conservation Grant	36,243	0	36,243
Interest Income	1,302	21,578	22,880
Miscellaneous	17,306	0	17,306
Total Revenues	<u>225,232</u>	<u>21,578</u>	<u>246,810</u>
Expenditures			
Current			
Personnel Services	99,695	0	99,695
Auto	2,423	0	2,423
Conservation Programs	61,533	0	61,533
Education	1,090	0	1,090
Insurance & Bond	630	0	630
Miscellaneous	465	0	465
Office & Postage	1,094	0	1,094
Travel & Per Diem	2,046	0	2,046
Workshop Expenses	740	0	740
Debt Service			
Principal	0	49,664	49,664
Interest	0	14,781	14,781
Total Expenditures	<u>169,716</u>	<u>64,445</u>	<u>234,161</u>
Excess (Deficiency) of Revenues Over Expenditures	55,516	(42,867)	12,649
Fund Balances at Beginning of Year	<u>302,301</u>	<u>643,298</u>	<u>945,599</u>
Fund Balance End of Year	<u>\$ 357,817</u>	<u>\$ 600,431</u>	<u>\$ 958,248</u>

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

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 to the Statement of Activities
 June 30, 2011

Net Change in Fund Balance-Governmental Funds \$ 12,649

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$	(2,468)	
Capital Outlays		<u>0</u>	<u>(2,468)</u>

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 49,664

Changes in Net Assets of Governmental Activities \$ 59,845

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

CHAVES SOIL AND WATER CONSERVATION DISTRICT

GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Cash Balance -General Fund

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Property Taxes	\$ 172,500	\$ 172,500	\$ 162,848	\$ (9,652)
State Allocation	9,000	9,000	8,964	(36)
Conservation Grant	60,000	60,000	36,243	(23,757)
Chemical Sales	0	0	17,106	17,106
Interest Income	1,745	1,745	1,302	(443)
Miscellaneous	500	500	200	(300)
Total Revenues	<u>243,745</u>	<u>243,745</u>	<u>226,663</u>	<u>(17,082)</u>
Expenditures				
Personnel Services	121,050	121,050	99,695	21,355
Conservation Programs	180,000	180,000	61,533	118,467
Auto	4,000	4,000	2,423	1,577
Education	0	0	1,090	(1,090)
Election	500	500	0	500
Insurance & Bond	500	500	631	(131)
Miscellaneous	2,000	2,000	465	1,535
Office & Postage	5,000	5,000	1,093	3,907
Travel & Per Diem	12,000	12,000	2,046	9,954
Workshop Expenses	20,500	20,500	740	19,760
Total Expenditures	<u>345,550</u>	<u>345,550</u>	<u>169,716</u>	<u>175,834</u>
Excess (Deficiency) of Revenues Over Expenditures	(101,805)	(101,805)	56,947	158,752
Beginning Cash Balance	<u>299,159</u>	<u>299,159</u>	<u>299,159</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 197,354</u>	<u>\$ 197,354</u>	<u>\$ 356,106</u>	<u>\$ 158,752</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 56,947	
Net Change in Property Taxes Receivable			(1,431)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 55,516</u>	

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

CHAVES SOIL AND WATER CONSERVATION DISTRICT

LOAN FUND

Statement of Revenues, Expenditures, and Changes in Cash Balance -General Fund

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Interest & Principal Payments	\$ 97,000	\$ 97,000	\$ 142,754	\$ 45,754
Total Revenues	<u>97,000</u>	<u>97,000</u>	<u>142,754</u>	<u>45,754</u>
Expenditures				
New Loan Issued	0	0	0	0
Debt Service				
Principal	100,000	100,000	49,664	50,336
Interest	<u>0</u>	<u>0</u>	<u>14,781</u>	<u>(14,781)</u>
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>64,445</u>	<u>35,555</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,000)	(3,000)	78,309	81,309
Beginning Cash Balance	<u>70,305</u>	<u>70,305</u>	<u>70,305</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 67,305</u>	<u>\$ 67,305</u>	<u>\$ 148,614</u>	<u>\$ 81,309</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 78,309	
Net Change in Interest Receivable			(914)	
Net Change in Notes Receivable			<u>(120,262)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (42,867)</u>	

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

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

B. Government-Wide and Fund financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) sales of chemicals to customers and 2) 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.

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

The government-wide financial statement 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
CHAVES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2011

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

Property taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. The district does not have the information regarding the uncollected delinquent property taxes and thus has not recorded its share of this receivable as called for by GASB Statement 33.

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 Loan Fund is a special revenue fund that accounts for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The special revenue fund was set up to account for the district's Low Interest Loan Program. The District receives low interest loans from the New Mexico Interstate Stream Commission to lend landowners in the District funds to finance conservation projects on their property pursuant to the provisions of Section 72-14-20 NMSA 1978.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity, if applicable, has been eliminated from the government-wide financial statements. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Net Assets and Fund Balance

Cash and Investments

The District's cash consists of demand deposits.

Taxes Receivable

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

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2011

Capital Assets

Capital assets, which include property, equipment (including software), farm equipment and furniture 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.

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

Vehicles	10 years
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Accounts payable

The account payable as of the balance sheet date includes routine monthly bills for services rendered and products purchased which are paid in the following month.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the district. All vacation pay is accrued when incurred in the government-wide financial statements. A current liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of resignations and retirements. According to District policy, employees accrue annual leave at 4 hours per pay period and 4 hours of sick leave per pay period.

Note Payable

The District entered into numerous loan agreements with the New Mexico Interstate Stream Commission for the purpose of lending funds to landowners in the District for water conservation projects. The loan agreements are for twenty years at an interest rate of 2 1/2 percent per annum.

Net Assets and Fund Balance

The difference between the District's assets and liabilities is its net assets. The District's net assets consist of four components — invested in capital assets, which is the cost of capital assets, net of accumulated depreciation, restricted for the benevolence fund, restricted for the loan program and unrestricted net assets. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation and/or are legally restricted by outside parties for use for a specific purpose. A portion of the fund balance has been reserved for the loan program. The loan program resources have been classified as restricted assets on the Statement of Net Assets because their use is restricted by the lender.

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2011

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

The legal level at which actual expenditures may not exceed budgeted expenditures is at the total fund level. The Board can revise its budget with the approval of DFA-LGD. There were no changes made to the budget during the fiscal year. Encumbrance accounting is not utilized by the District.

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

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

Reconciliations are located at the bottom of each budget actual.

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2011

III. Detailed Notes on all Funds

A. Cash and Investments

	Account Type	Bank Balance 6/30/11	Reconciled Balance 6/30/11
First American Bank			
Chaves SWCD	Checking	\$ 83,930	\$ 78,928
Chaves SWCD	Checking	3,965	5,484
Chaves SWCD-Cost Share Account	Savings	28,782	28,782
		<u>116,677</u>	<u>\$ 113,194</u>
	Less: FDIC coverage	<u>(116,677)</u>	
	Amount uninsured	<u>\$ 0</u>	

	Account Type	Bank Balance 6/30/11	Reconciled Balance 6/30/11
Valley Bank			
Chaves SWCD-General Account	Checking	\$ 44,627	\$ 41,922
Chaves SWCD-Loan Account	Checking	108,142	108,142
Chaves Noxious Weed Account	Checking	70,497	70,497
		<u>223,266</u>	<u>\$ 220,561</u>
	Less: FDIC coverage	<u>(223,266)</u>	
	Amount uninsured	<u>\$ 0</u>	

	Account Type	Bank Balance 6/30/11	Reconciled Balance 6/30/11
Roswell National			
Chaves SWCD Noxious Brush Control Account	Savings	\$ 28,952	\$ 28,952
	Less: FDIC coverage	<u>(28,952)</u>	
	Amount uninsured	<u>\$ 0</u>	

	Account Type	Bank Balance 6/30/11	Reconciled Balance 6/30/11
Pioneer Saving & Trust			
Chaves SWCD	Checking	\$ 69,891	\$ 61,752
Chaves SWCD CD	Savings	9,042	9,042
Chaves SWCD CD-Loan Account	Savings	40,472	40,472
Chaves SWCD CD-General	Savings	30,747	30,747
		<u>150,152</u>	<u>\$ 142,013</u>
	Less: FDIC coverage	<u>(150,152)</u>	
	Amount uninsured	<u>\$ 0</u>	

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

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. As of June 30, 2011, none of the Districts bank balances were exposed to custodial credit risk.

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2011

B. Capital Assets

	Beginning Balance 6/30/10	Additions	Deletions	Ending Balance 6/30/11
Capital Assets, being Depreciated				
Computer Equipment	\$ 26,758	\$ 0	\$ 0	\$ 26,758
Total Capital Assets, being Depreciated	<u>26,758</u>	<u>0</u>	<u>0</u>	<u>26,758</u>
Less Accumulated Depreciation				
Equipment	5,978	2,468	0	8,446
Total Accumulated Depreciation	<u>5,978</u>	<u>2,468</u>	<u>0</u>	<u>8,446</u>
	<u>\$ 20,780</u>	<u>\$ (2,468)</u>	<u>\$ 0</u>	<u>\$ 18,312</u>

Depreciation expense was charged to governmental activities as follows:

Conservation	\$ 2,468
Total depreciation expenses	<u>\$ 2,468</u>

C. Long Term Debt

A summary of activity in the Long-Term Debt is as follows:

	Beginning Balance 6/30/10	Reductions	Ending Balance 6/30/11	Amounts Due Within One Year
Loans and Notes Payable	\$ 600,897	\$ 49,664	\$ 551,233	\$ 40,423
	Beginning Balance 6/30/08	Increases	Reductions	Ending Balance 6/30/09
Compensated Absences	\$ 0	\$ 5,328	\$ 5,328	\$ 0

Payments on the loans are made by the Loan Fund. The compensated absences liability are liquidated by the General Fund.

The District has entered into the following loans with the New Mexico Interstate Stream Commission for the purpose of lending funds to landowners in the District for water conservation projects.

Date of Loan	Original Amount	Interest Rate	Years	Balance
March 31, 1999	\$ 20,000	2.50%	20	\$ 0
August 29, 2002	20,000	2.50%	20	11,228
September 10, 2002	250,000	2.50%	20	152,577
October 28, 2002	380,000	2.50%	20	250,042
September 24, 2003	195,000	2.50%	20	137,386
				<u>\$ 551,233</u>

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June 30, 2011

The debt service requirements to maturity are as follows:

	Principal	Interest	Total
2012	\$ 40,423	\$ 13,781	\$ 54,204
2013	41,434	12,770	54,204
2014	42,470	11,734	54,204
2015	43,532	10,673	54,205
2016	44,620	9,584	54,204
2017-2021	240,401	30,621	271,022
2022-2024	98,353	3,961	102,314
	\$ 551,233	\$ 93,124	\$ 644,357

IV. Other Information

A. Employee Benefits

Plan Description. Substantially all of the District's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides 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, NM 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 City is required to contribute 7% for employees of the gross covered salary. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the fiscal years ending June 30, 2011, 2010, and 2009 were \$5,280, \$4,946, and \$4,907, respectively, which equal the amount of the required contributions for each fiscal year.

B. Risk Management

The District is exposed to various risks of loss due to torts, theft or damage of assets, errors and omissions and natural disasters. The District's supervisors and employees are covered by an errors and omissions liability policy purchased by the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,000,000 for each wrongful act and \$1,000,000 for the policy aggregated. The District is required to obtain a corporate fidelity bond on behalf of persons responsible for District assets. The District currently maintains a \$100,000 fidelity bond on its Program Director and Board of Supervisors. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

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C. 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 the time, although the government expects such amounts, if any to be immaterial.

D. Related Party Transactions

The assistant's husband obtained a cost share loan from the District to finance a center pivot that has an EQUIP contract for the Perry Toles Farm. The note is for \$28,600 over 10 years, at an interest rate of 3.5% dated January 15, 2006. The loan was approved by the Board of Supervisors in the same manner as other cost share loan projects are approved.

One of the District's Board of Supervisors obtained a cost share loan from the District to finance the irrigation pipe and sprinkler system. The note is for \$168,557 over 10 years, at an interest rate of 3.5% dated 02/01/2020. The loan was approved by the Board of Supervisors in the same manner as other cost share loan projects are approved.

One of the District's Board of Supervisors obtained a cost share loan from the District to finance the irrigation pipe and sprinkler system. The note is for \$60,000 over 10 years, at an interest rate of 3.5% dated March 1, 2004. The loan was approved by the Board of Supervisors in the same manner as other cost share loan projects are approved.

De'Aun Willoughby CPA, PC

Certified Public Accountant

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(575) 253-4313

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

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board Members of the Chaves Soil & Water Conservation District

Mr. Balderas and Members of the Board

We have audited the financial statements of the governmental activities, the major funds and the budgetary comparisons for the general fund and special revenue fund of the Chaves Soil & Water Conservation District, (District), as of and for the year ended June 30, 2011, and have issued our report thereon dated November 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 correct on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting; 10-2 and 11-1. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs; 10-2 and 11-1.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the New Mexico State Legislature and its committees, the Office of the State Auditor, the New Mexico Department of Finance and Administration - Local Government and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

DeAnn Willoughby CPA PC

November 28, 2011

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
 Schedule of Findings and Responses
 June 30, 2011

Prior Year Audit Findings

	Status
10-1 Expenditure Issues	Resolved
10-2 Stale Dated Transactions	Repeated
10-4 Late Audit Report	Resolved

Current Year Audit Findings

10-2 Stale Dated Transactions-Compliance and Internal Control-Significant Deficiency

Condition

The District is in violation of state statutes regarding stale-dated checks. The District maintained 1 check that were dated over one year old at June 30, 2011. The check totaled \$134.21.

Criteria

Section 6-10-57(A), NMSA 1978, and related regulations require that the District provide information about the payees and the related funds to Unclaimed Property Division of the New Mexico Taxation and Revenue Department for outstanding checks that were distributed but not cashed within one year.

Cause

The District did not implement an internal control policy to account for stale dated outstanding checks and did not clear these checks on a timely basis.

Effect

Carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

Recommendation

We recommend that the District implement a procedure to review the outstanding check listings for all bank accounts and track stale-dated checks. If checks on the outstanding check listings are greater than one year old we recommend these checks be voided.

Response

We will void the stale check in accordance with Section 7-8 A, NMSA 1978.

11-1 941 Payroll Tax Reports - Compliance and Internal Control-Significant Deficiency

Condition

An audit of the payroll procedures revealed two 941 tax reports as of date were not filed.

Criteria

IRS Publication 15 Circular E sets forth the required due dates for filing 941 payroll tax reports.

Cause

The Internal Revenue Service are no longer mailing the forms. The assistant stated she was unaware of this and that is why the 941 payroll tax reports were not filed.

Effect

The Internal Revenue Service may penalized the District for failing to timely file the 941 payroll reports.

Recommendation

The assistant should maintain a calendar or other system to remind her of all reports due dates.

Response

We will implement a system to track all reports and due dates.

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference

An exit conference was held on November 28, 2011. Those present were, Aubrey Dunn-Supervisor, Joy Wagner-Administrative Assistant, Kelli Van Winkle-Noxious Weed Coordinator and De'Aun Willoughby, CPA.