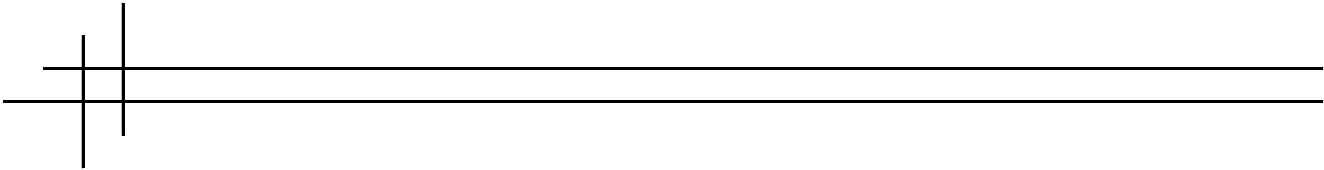




STATE OF NEW MEXICO  
**CHAVES SOIL AND WATER CONSERVATION DISTRICT**  
ROSWELL, NEW MEXICO

**ANNUAL FINANCIAL REPORT**  
June 30, 2014

**De'Aun Willoughby CPA, PC**  
Certified Public Accountant  
Clovis, NM 88101



STATE OF NEW MEXICO  
**CHAVES SOIL AND WATER CONSERVATION DISTRICT**  
 Table of Contents  
 For the Year Ended June 30, 2014

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	<u>Page</u>
Official Roster.....	3
Independent Auditor's Report.....	4-5
<b>FINANCIAL SECTION</b>	
Basic Financial Statements	
Government Wide Financial Statements	
Statement of Net Position.....	6
Statement of Activities.....	7
Fund Financial Statements	
Government Funds - Balance Sheet.....	8
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	9
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	10
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	11
<b>GENERAL FUND</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	12
<b>SPECIAL REVENUE FUND</b>	
<b>Loan Fund</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	13
Notes to Financial Statements.....	14-21
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> .....	22-23
Schedule of Findings and Responses.....	24

STATE OF NEW MEXICO  
**CHAVES SOIL AND WATER CONSERVATION DISTRICT**  
Official Roster  
June 30, 2014

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**BOARD OF SUPERVISORS**

Aubrey Dunn Jr.	Chairperson
Joe Barraza	Vice-Chairperson
LeRoy Lang	Secretary/Treasurer
W.E. Bonham	Supervisor
John Sisk	Supervisor
Doug Whitney	Supervisor
Jerry Vaz	Supervisor

**DISTRICT PERSONNEL**

Joy Wagner	Administrative Assistant
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# De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

## Independent Auditor's Report

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

Mr. Balderas and Members of the Board

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons for the general fund and major special revenue fund of Chaves Soil and Water Conservation District (District), as of and for the year ended June 30, 2014, 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**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities each major fund of the District as of June 30, 2014, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

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. Our opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2014, on our consideration of the District's internal control over financial reporting and on 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* in considering the District's internal control over financial reporting and compliance.

*De'Ann Willoughby CPA PC*

Clovis, New Mexico  
September 12, 2014

STATE OF NEW MEXICO  
**CHAVES SOIL AND WATER CONSERVATION DISTRICT**  
 Government-Wide Statement of Net Position  
 June 30, 2014

ASSETS	Governmental Activities
Current Assets	
Cash and Cash Equivalents	\$ 710,624
Taxes Receivable	7,592
Interest Receivable	1,355
Inventory	21,467
Current Amount of Notes Receivable	31,216
Total Current Assets	<u>772,254</u>
Noncurrent Assets	
Capital Assets	26,758
Less: Accumulated Depreciation	(15,849)
Notes Receivable	151,204
Less: Current Portion	(31,216)
Total Noncurrent Assets	<u>130,897</u>
Total Assets	<u>903,151</u>
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts Payable	7,982
Accrued Salaries and Benefits	1,926
Compensated Absences	7,902
Current Portion of Long Term Debt	29,564
Total Current Liabilities	<u>47,374</u>
Noncurrent Liabilities	
Loans Payable	243,774
Less Current Portion	(29,564)
Total Noncurrent Liabilities	<u>214,210</u>
Total Liabilities	<u>261,584</u>
Net Position	
Net Investment in Capital Assets	10,909
Restricted	292,766
Unrestricted	337,892
Total Net Position	<u>\$ 641,567</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, 2014

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	Governmental Activities
Program Expenses:	
Personnel Services	\$ 100,195
Conservation Programs	220,554
Operating Expenses	34,016
Interest Expense	8,309
Total Program Expenses	<u>363,074</u>
Program Revenues:	
Conservation Grant	242,536
Chemical Sales, net of cost	1,365
Charge for Services	1,460
	<u>245,361</u>
Net Program (Expense) Revenue	<u>(117,713)</u>
General Revenues	
Property Taxes	183,448
State Allocation	12,907
Interest Income	7,341
	<u>203,696</u>
Change in Net Position	85,983
Net Position at Beginning of Year	<u>555,584</u>
Net Position at End of Year	<u>\$ 641,567</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, 2014

	<u>General</u>	<u>Special Revenue</u> <u>Loan</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 570,417	\$ 140,207	\$ 710,624
Taxes Receivable	7,592	0	7,592
Interest Receivable	0	1,355	1,355
Inventory	21,467	0	21,467
Notes Receivable	0	151,204	151,204
Total Assets	<u>\$ 599,476</u>	<u>\$ 292,766</u>	<u>\$ 892,242</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 7,982	\$ 0	\$ 7,982
Accrued Payroll	1,926	0	1,926
Total Liabilities	<u>9,908</u>	<u>0</u>	<u>9,908</u>
Deferred Inflows of Resources			
Deferred Revenue	4,268	0	4,268
Total Deferred Inflows of Resources	<u>4,268</u>	<u>0</u>	<u>4,268</u>
Total Liabilities and Deferred Inflows of Resources	<u>14,176</u>	<u>0</u>	<u>14,176</u>
Fund Balances			
Nonspendable-Inventory	21,467	0	21,467
Restricted, reported in			
Special Fund	0	292,766	292,766
Unrestricted, reported in:			
General Fund	<u>563,833</u>	<u>0</u>	<u>563,833</u>
Total Fund Balances	<u>585,300</u>	<u>292,766</u>	<u>878,066</u>
Total Liabilities and Fund Balances	<u>\$ 599,476</u>	<u>\$ 292,766</u>	<u>\$ 892,242</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 Position  
 June 30, 2014

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Total Fund Balance - Governmental Funds \$ 878,066

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 as assets in governmental funds.

The cost of capital assets	\$ 26,758	
Accumulated depreciation	<u>(15,849)</u>	10,909

Property taxes receivable will be collected after the period of availability, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 4,268

Long-term and certain other 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 :

Loans	(243,774)	
Compensated Absences	<u>(7,902)</u>	<u>(251,676)</u>

Total Net Position - Governmental Activities \$ 641,567

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, 2014

	General	<u>Special Revenue</u> Loan	Total
<b>Revenues</b>			
Property Taxes	\$ 179,180	\$ 0	\$ 179,180
State Allocation	12,907	0	12,907
Conservation Grant	242,536	0	242,536
Chemical Sales, net of cost	1,365	0	1,365
Charge for Services	1,460	0	1,460
Interest Income	495	6,846	7,341
Total Revenues	<u>437,943</u>	<u>6,846</u>	<u>444,789</u>
<b>Expenditures</b>			
Current			
Personnel Services	100,374	0	100,374
Audit	4,582	0	4,582
Auto	3,163	0	3,163
Conservation Programs	218,086	0	218,086
Education	2,490	0	2,490
Insurance & Bond	8,114	0	8,114
Miscellaneous	4,976	0	4,976
Office & Postage	4,775	0	4,775
Travel & Per Diem	1,602	0	1,602
Workshop Expenses	4,314	0	4,314
Debt Service			
Principal	0	88,576	88,576
Interest	0	8,309	8,309
Total Expenditures	<u>352,476</u>	<u>96,885</u>	<u>449,361</u>
Excess (Deficiency) of Revenues Over Expenditures	85,467	(90,039)	(4,572)
Fund Balances at Beginning of Year	<u>499,833</u>	<u>382,805</u>	<u>882,638</u>
Fund Balance End of Year	<u>\$ 585,300</u>	<u>\$ 292,766</u>	<u>\$ 878,066</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, 2014

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Net Change in Fund Balance-Governmental Funds \$ (4,572)

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

Some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as deferred revenues. They are however, recorded as revenues in the Statement of Activities.

Property Taxes Receivable, June 30, 2013	0	
Property Taxes Receivable, June 30, 2014	4,268	4,268

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 Position 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	0	(2,468)

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		88,576
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Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2013	8,081	
Compensated Absences, June 30, 2013	(7,902)	179

Changes in Net Position of Governmental Activities	\$	<u>85,983</u>
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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

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 185,000	\$ 185,000	\$ 177,747	\$ (7,253)
State Allocation	12,000	12,000	12,907	907
Conservation Grant	15,000	240,000	242,536	2,536
Chemical Sales	20,000	20,000	4,780	(15,220)
Charge for Services	500	500	1,460	960
Interest Income	150	150	495	345
Total Revenues	<u>232,650</u>	<u>457,650</u>	<u>439,925</u>	<u>(17,725)</u>
<b>Expenditures</b>				
Personnel Services	95,000	95,000	99,110	(4,110)
Conservation Programs	60,000	240,000	220,914	19,086
Audit	6,000	6,000	4,582	1,418
Auto	3,000	3,000	2,893	107
Education	2,500	2,500	2,490	10
Insurance & Bond	11,700	11,700	8,114	3,586
Miscellaneous	5,000	5,000	4,975	25
Office & Postage	3,500	3,500	4,775	(1,275)
Travel & Per Diem	1,000	1,000	1,602	(602)
Workshop Expenses	5,000	5,000	4,314	686
Total Expenditures	<u>192,700</u>	<u>372,700</u>	<u>353,769</u>	<u>18,931</u>
Excess (Deficiency) of Revenues Over Expenditures	39,950	84,950	86,156	1,206
Cash Balance Beginning of Year	<u>484,261</u>	<u>484,261</u>	<u>484,261</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 524,211</u>	<u>\$ 569,211</u>	<u>\$ 570,417</u>	<u>\$ 1,206</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 86,156	
Net Change in Property Taxes Receivable			1,433	
Net Change in Inventory			5,264	
Net Change in Accounts Payable			(6,119)	
Net Change in Accrued Payroll			(1,267)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 85,467</u>	

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

**CHAVES SOIL AND WATER CONSERVATION DISTRICT**  
**SPECIAL REVENUE - LOAN FUND**  
**Statement of Revenues, Expenditures, and Changes in Cash Balance**  
**Budget and Actual (Budgetary Basis)**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
<b>Revenues</b>				
Interest & Principal Payments	\$ 75,000	\$ 75,000	\$ 55,046	\$ (19,954)
Total Revenues	<u>75,000</u>	<u>75,000</u>	<u>55,046</u>	<u>(19,954)</u>
<b>Expenditures</b>				
<b>Debt Service</b>				
Principal	28,576	88,576	88,576	0
Interest	<u>8,309</u>	<u>8,309</u>	<u>8,309</u>	<u>0</u>
Total Expenditures	<u>36,885</u>	<u>96,885</u>	<u>96,885</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	38,115	(21,885)	(41,839)	(19,954)
Cash Balance Beginning of Year	<u>182,046</u>	<u>182,046</u>	<u>182,046</u>	<u>0</u>
Cash Balance End of Year	\$ <u><u>220,161</u></u>	\$ <u><u>160,161</u></u>	\$ <u><u>140,207</u></u>	\$ <u><u>(19,954)</u></u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (41,839)	
Net Change in Interest Receivable			(429)	
Net Change in Notes Receivable			<u>(47,771)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u><u>(90,039)</u></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, 2014

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**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 position) 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, 2014

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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 30 days of the end of the current fiscal period. Expenditures are generally recorded when the 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.

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 Position 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.

**Inventory**

The District's inventory consists of chemicals held for sale and /or use by the District for brush control. Inventory is reported at cost in the governmental activities column in the government-wide financial statements determined using the first-in, first-out method. Inventory items are reported in governmental funds as expenditures when purchased. In addition, an asset and corresponding nonspendable fund balance is reported in the governmental fund balance sheet for inventory.

STATE OF NEW MEXICO  
**CHAVES SOIL AND WATER CONSERVATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2014

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**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. 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's policy, employees accrue annual leave at the beginning of each pay period based on years of service, and 4 hours of sick leave per pay period. Employees with less than 3 years of service accrue annual leave at 4 hours per pay period. Employees with 3 years of service, but less than 15 years accrue 6 hours per pay period, plus 4 hours for the last complete pay period of the calendar year. Employees with 15 years of service or more accrue 8 hours per pay period.

**Loan and Notes 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 Position and Fund Balance**

The difference between the District's assets and liabilities is its net position. The District's net position consist of four components — invested in capital assets, which is the cost of capital assets, net of accumulated depreciation, restricted for the loan program and unrestricted net position. 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 Position 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, 2014

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**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 statement.

STATE OF NEW MEXICO  
**CHAVES SOIL AND WATER CONSERVATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2014

**III. Detailed Notes on all Funds**  
**A. Cash and Investments**

	Account Type	Bank Balance 6/30/14	Reconciled Balance 6/30/14
First American Bank			
Chaves SWCD	Checking-Interest bearing	\$ 25,269	\$ 25,269
Chaves SWCD	Checking-Interest bearing	4,784	4,784
Chaves SWCD-Cost Share Account	Savings-Interest bearing	29,041	29,041
		<u>59,094</u>	<u>\$ 59,094</u>
	Less: FDIC coverage	(59,094)	
	Amount uninsured	<u>\$ 0</u>	

	Account Type	Bank Balance 6/30/14	Reconciled Balance 6/30/14
Valley Bank			
Chaves SWCD-General Account	Checking-Interest bearing	\$ 73,492	\$ 71,346
Chaves SWCD-Loan Account	Checking-Interest bearing	135,152	135,152
Chaves Noxious Weed Account	Checking-Interest bearing	89,648	99,633
		<u>298,292</u>	<u>\$ 306,131</u>
	Less: FDIC coverage	(250,000)	
	Amount uninsured	\$ 48,292	
	50% collateral requirement	24,146	
	Pledged securities	50,000	
	Over (Under) requirement	<u>\$ 25,854</u>	

The following securities are pledged:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FFCB	3133ECST2	\$ 50,000	06/24/2016	TIB-Dallas, TX
		<u>\$ 50,000</u>		

	Account Type	Bank Balance 6/30/14	Reconciled Balance 6/30/14
The James Polk Community Bank			
Chaves SWCD Noxious Brush Control Account	Savings	\$ 29,159	\$ 29,159
	Less: FDIC coverage	(29,159)	
	Amount uninsured	<u>\$ 0</u>	

	Account Type	Bank Balance 6/30/14	Reconciled Balance 6/30/14
Pioneer Saving & Trust			
Chaves SWCD	Checking-Interest bearing	\$ 68,382	\$ 68,382
Chaves SWCD CD	Savings-Interest bearing	9,173	9,173
Chaves SWCD CD-Loan Account	Savings-Interest bearing	40,602	40,602
Chaves SWCD CD-General	Savings-Interest bearing	198,083	198,083
		<u>316,240</u>	<u>\$ 316,240</u>
	Less: FDIC coverage	(250,000)	
	Amount uninsured	\$ 66,240	
	50% collateral requirement	33,120	
	Pledged securities	500,000	
	Over (Under) requirement	<u>\$ 466,880</u>	

STATE OF NEW MEXICO  
**CHAVES SOIL AND WATER CONSERVATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2014

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The following securities are pledged:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FED Farm Credit	3133EC3W2	\$ 500,000	02/21/2020	FHLB-Dallas, TX
		<u>\$ 500,000</u>		

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

**Custodial Credit Risk-Deposits**

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 588,253
Collateralized	
Collateral held by the pledging bank in District's name	114,532
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 702,785</u>

*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, 2014 none of the District's bank balances of \$702,785 were exposed to custodial credit risk.

**B. Capital Assets**

	<u>Beginning Balance 6/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 6/30/14</u>
Capital Assets, being Depreciated				
Computer Equipment	\$ 2,081	\$ 0	\$ 0	\$ 2,081
Vehicles	24,677	0	0	24,677
Total Capital Assets, being Depreciated	<u>26,758</u>	<u>0</u>	<u>0</u>	<u>26,758</u>
Less Accumulated Depreciation				
Computer Equipment	2,081	0	0	2,081
Vehicles	11,300	2,468	0	13,768
Total Accumulated Depreciation	<u>13,381</u>	<u>2,468</u>	<u>0</u>	<u>15,849</u>
	<u>\$ 13,377</u>	<u>\$ (2,468)</u>	<u>\$ 0</u>	<u>\$ 10,909</u>

Depreciation expense was charged to governmental activities as follows:

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

STATE OF NEW MEXICO  
**CHAVES SOIL AND WATER CONSERVATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2014

**C. Long Term Debt**

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

	Beginning Balance 6/30/13	Reductions	Ending Balance 6/30/14	Amounts Due Within One Year
Loans and Notes Payable	\$ 332,350	\$ 88,576	\$ 243,774	\$ 29,564
	Beginning Balance 6/30/13	Increases	Reductions	Ending Balance 6/30/14
Compensated Absences	\$ 8,081	\$ 5,806	\$ 5,985	\$ 7,902

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
October 28, 2002	\$ 380,000	2.50%	20	\$ 164,298
September 24, 2003	195,000	2.50%	20	79,476
				\$ 243,774

The debt service requirements to maturity are as follows:

	Principal	Interest	Total
2015	\$ 29,564	6,094	\$ 35,658
2016	30,303	5,355	35,658
2017	31,061	4,598	35,659
2018	31,837	3,821	35,658
2019	32,633	3,025	35,658
2020-2022	88,376	4,099	92,475
	\$ 243,774	\$ 26,992	\$ 270,766

**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 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 <http://www.pera.state.nm.us>.

STATE OF NEW MEXICO  
**CHAVES SOIL AND WATER CONSERVATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2014

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**Funding Policy.** Plan members are required to contribute 7% of their gross salary. The district is required to contribute 7% of the gross covered salary. The contribution requirements of the plan members and the district are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Districts contributions to PERA for the fiscal years ending June 30, 2014, 2013 and 2012 were \$5,494, \$5,609 and \$5,506, respectively, which equal the amount of the required 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.

**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.

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

Independent Auditor's Report

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

Mr. Balderas and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the budgetary comparisons of the general and major special revenue fund of Chaves Soil and Water Conservation District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 12, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit, of the financial statements, we 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "De'Ann Willoughby, CPA PC". The signature is written in a cursive style.

Clovis, New Mexico  
September 12, 2014

STATE OF NEW MEXICO  
**CHAVES SOIL AND WATER CONSERVATION DISTRICT**  
Schedule of Findings and Responses  
June 30, 2014

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**Prior Year Audit Findings**

	<u>Status</u>
12-1 <b>Preparation of Financial Statements</b>	Repeated
13-1 <b>Late Audit Contract</b>	Resolved

**Current Year Audit Findings**  
**None**

**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 September 12, 2014. Those present were, Doug Whitney-Board Secretary, Joy Wagner-Administrative Assistant, and De'Aun Willoughby, CPA.