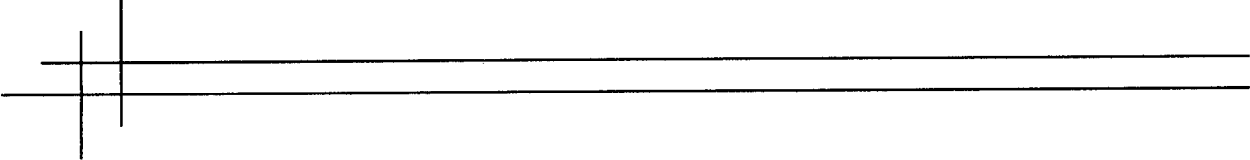




**STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
ROSWELL, NEW MEXICO**

ANNUAL FINANCIAL REPORT
June 30, 2007

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, 2007

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STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
Official Roster
June 30, 2007

BOARD OF SUPERVISORS

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

DISTRICT PERSONNEL

Joy Wagner	Administrative Assistant
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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 aggregate remaining fund information of the Chaves Soil & Water Conservation District (District), as of and for the year ended June 30, 2007, 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 of 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, 2007, 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.

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.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 30, 2009 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

De'Aun Willoughby CPA PC

June 30, 2009

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
 Government-wide Statement of Net Assets
 June 30, 2007

ASSETS

Current Assets

Cash in Banks	\$ 442,354
Taxes Receivable	667
Interest Receivable	6,251
Current Amount of Notes Receivable	<u>85,069</u>
Total Current Assets	<u>534,341</u>

Noncurrent Assets

Notes Receivable	550,040
Less: Current Portion	<u>(85,069)</u>
Total Noncurrent Assets	<u>464,971</u>

Total Assets	<u>999,312</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accrued Payroll	755
Current Portion of Long Term Debt	<u>37,576</u>
Total Current Liabilities	<u>38,331</u>

Noncurrent Liabilities

Loans Payable	716,466
Less Current Portion	<u>(37,576)</u>
Total Noncurrent Liabilities	<u>678,890</u>

Total Liabilities	717,221
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Net Assets

Unrestricted	<u>282,091</u>
Total Net Assets	<u>\$ 282,091</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, 2007

Program Expenses:	
Personnel Services	\$ 51,005
Operating Expenses	7,542
Conservation Programs	71,612
Interest	18,828
Total Program Expenses	<u>148,987</u>
Program Revenues	
Charge for Services	<u>14,049</u>
Total Program Revenues	<u>14,049</u>
Net Program (Expense) Revenue	<u>(134,938)</u>
General Revenues	
Property Taxes	110,720
State Allocation	22,327
Conservation Grant	25,000
Interest Income	31,225
Miscellaneous	4,262
	<u>193,534</u>
Change in Net Assets	58,596
Net Assets at Beginning of Year	<u>223,495</u>
Net Assets at End of Year	<u>\$ 282,091</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, 2007

	<u>General Fund</u>	<u>Loan Fund</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 252,310	\$ 190,044	\$ 442,354
Taxes Receivable	667	0	667
Interest Receivable	214	6,037	6,251
Notes Receivable	0	550,040	550,040
Total Assets	<u>\$ 253,191</u>	<u>\$ 746,121</u>	<u>\$ 999,312</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accrued Payroll	\$ 755	\$ 0	\$ 755
Total Liabilities	<u>755</u>	<u>0</u>	<u>755</u>
Fund Balances			
Unreserved Reported In:			
General Fund	<u>252,436</u>	<u>746,121</u>	<u>998,557</u>
Total Fund Balances	<u>252,436</u>	<u>746,121</u>	<u>998,557</u>
Total Liabilities and Fund Balances	<u>\$ 253,191</u>	<u>\$ 746,121</u>	<u>\$ 999,312</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, 2007

Amounts reported for governmental activities in the statement of net assets
are different because:

Total Fund Balance - Governmental Funds	\$	998,557
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 :		<u>(716,466)</u>
Total net assets - governmental activities	\$	<u><u>282,091</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
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2007

	General Fund	Loan Fund	Total
Revenues			
Property Taxes	\$ 110,720	\$ 0	\$ 110,720
State Allocation	22,327	0	22,327
Conservation Grant	25,000	0	25,000
Chemical Sales	14,049	0	14,049
Interest Income	2,682	28,543	31,225
Miscellaneous	126	4,136	4,262
Total Revenues	<u>174,904</u>	<u>32,679</u>	<u>207,583</u>
Expenditures			
Current			
Personnel Services	54,384	0	54,384
Education	520	0	520
Travel & Per Diem	2,645	0	2,645
Dues & Subscriptions	700	0	700
Insurance & Bond	396	0	396
Office & Postage	1,711	0	1,711
Conservation Programs	71,612	0	71,612
Miscellaneous	188	0	188
Workshop Expenses	1,382	0	1,382
Debt Service			
Principal	0	36,659	36,659
Interest	0	18,828	18,828
Total Expenditures	<u>133,538</u>	<u>55,487</u>	<u>189,025</u>
Excess (Deficiency) of Revenues Over Expenditures	41,366	(22,808)	18,558
Fund Balances at Beginning of Year	<u>211,070</u>	<u>768,929</u>	<u>979,999</u>
Fund Balance End of Year	<u>\$ 252,436</u>	<u>\$ 746,121</u>	<u>\$ 998,557</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, 2007

Net Change in Fund Balance-Governmental Funds	\$	18,558
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		36,659
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.		<u>3,379</u>
Changes in Net Assets of Governmental Activities	\$	<u><u>58,596</u></u>

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, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Property Taxes	\$ 154,850	\$ 154,850	\$ 110,806	\$ (44,044)
State Allocation	22,000	22,000	22,327	327
Conservation Grant	25,000	25,000	25,000	0
Chemical Sales	15,000	15,000	14,049	(951)
Interest Income	1,200	1,200	3,622	2,422
Miscellaneous	0	0	126	126
Total Revenues	<u>218,050</u>	<u>218,050</u>	<u>175,930</u>	<u>(42,120)</u>
Expenditures				
Personnel Services	59,550	59,550	56,959	2,591
Education	2,000	2,000	520	1,480
Travel & Per Diem	11,500	11,500	2,645	8,855
Dues & Subscriptions	2,000	2,000	700	1,300
Insurance & Bond	500	500	396	104
Office & Postage	2,550	2,550	1,711	839
Conservation Programs	135,000	135,000	73,211	61,789
Miscellaneous	2,650	2,650	188	2,462
Workshop Expenses	2,300	2,300	1,382	918
Total Expenditures	<u>218,050</u>	<u>218,050</u>	<u>137,712</u>	<u>80,338</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	38,218	38,218
Beginning Cash Balance	<u>214,091</u>	<u>214,091</u>	<u>214,091</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 214,091</u>	<u>\$ 214,091</u>	<u>\$ 252,309</u>	<u>\$ 38,218</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 38,218	
Net Change in Property Taxes Receivable			(87)	
Net Change in Interest Receivable			(941)	
Net Change in Accounts Payable			1,599	
Net Change in Accrued Payroll			1,122	
Net Change in Compensated Absenses			1,455	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 41,366</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, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Interest Income	\$ 60,000	\$ 60,000	\$ 105,424	\$ 45,424
Miscellaneous	0	0	4,136	4,136
Total Revenues	<u>60,000</u>	<u>60,000</u>	<u>109,560</u>	<u>49,560</u>
Expenditures				
Loan Program	60,000	60,000	55,487	4,513
Total Expenditures	<u>60,000</u>	<u>60,000</u>	<u>55,487</u>	<u>4,513</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	54,073	54,073
Beginning Cash Balance	<u>135,971</u>	<u>135,971</u>	<u>135,971</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 135,971</u>	<u>\$ 135,971</u>	<u>\$ 190,044</u>	<u>\$ 54,073</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 54,073	
Net Change in Interest Receivable			5,576	
Net Change in Note Receivable			(82,457)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (22,808)</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, 2007

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.

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2007

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.

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 conservaton 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.

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2007

D. Assets, Liabilities, Net Assets and Fund Balance

Cash and Investments

The District's cash consists of demand deposits. State statutes authorize the District to invest in certificates of deposit and the State Treasurer's Local Government Investment Pool. The State Treasurer's Local Government Investment Pool is not SEC registered. Section 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in short-term investment fund in securities that are issued by the United States government or by its department or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month, all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government investment pool is voluntary. The investments are carried at fair value based on quoted market prices as of the valuation date.

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.

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:

Computer equipment	5 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.

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2007

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.

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.

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
 Notes to the Financial Statements
 June 30, 2007

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.

III. Detailed Notes on all Funds

A. Cash and Investments

First Federal

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
Chaves SWCD Noxious Brush Control Account	Checking	\$ 67,595	\$ 67,595
Chaves SWCD Noxious Weed Account	Checking	37,881	37,681
Chaves SWCD Loan CD	Savings	52,904	52,904
	Total	158,380	\$ 158,180
	Less: FDIC coverage	(152,904)	
	Uninsured Amount	5,476	
	50% collateral requirement	2,738	
	Pledged securities	377,773	
	Over (Under) requirement	\$ 375,035	

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FHLMC Pool	31410AAD8	377,773	07/01/2036	* Dallas, Texas
		\$ 377,773		

* Independent Bankers

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2007

	<u>Account Type</u>		<u>Bank Balance</u>	<u>Reconciled Balance</u>
First National Bank				
Chaves SWCD	Checking	\$	31,274	\$ 31,274
Chaves SWCD	Checking		26,364	26,364
Chaves SWCD-Cost Share Account	Savings		25,743	25,743
			<u>83,381</u>	<u>\$ 83,381</u>
	Less: FDIC coverage		<u>(83,381)</u>	
	Amount uninsured		<u>0</u>	
Valley Bank				
Chaves SWCD-General Account	Checking	\$	29,832	\$ 29,069
Chaves SWCD-Loan Account	Checking		137,140	137,140
			<u>166,972</u>	<u>\$ 166,209</u>
	Less: FDIC coverage		<u>(100,000)</u>	
	Uninsured Amount		66,972	
	50% collateral requirement		33,486	
	Pledged securities			
	Over (Under) requirement			
<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
Rio Rancho DS NC FR	767171FT3	225,000	08/01/2008	* Dallas, Texas
		<u>\$ 225,000</u>		
			* Independent Bankers	
	<u>Account Type</u>		<u>Bank Balance</u>	<u>Reconciled Balance</u>
Roswell National				
Chaves SWCD Noxious Brush Control Account	Savings	\$	26,400	\$ 26,400
	Less: FDIC coverage		<u>(26,400)</u>	
	Amount uninsured	\$	<u>0</u>	
Pioneer Saving & Trust				
Chaves SWCD CD	Savings	\$	8,184	\$ 8,184
	Less: FDIC coverage		<u>(8,184)</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, 2007, none of the Districts bank balances were exposed to custodial credit risk.

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June 30, 2007

B. Capital Assets

	Balance 6/30/06	Additions	Deletions	Balance 6/30/07
Capital Assets, being Depreciated				
Computer Equipment	\$ 2,081	\$ 0	\$ 0	\$ 2,081
Total Capital Assets, being Depreciated	2,081	0	0	2,081
Less Accumulated Depreciation				
Equipment	2,081	0	0	2,081
Total Accumulated Depreciation	2,081	0	0	2,081
	\$ 0	\$ 0	\$ 0	\$ 0

Depreciation expense was charged to governmental activities as follows:

Conservation	\$ 0
Total depreciation expenses	\$ 0

C. Long Term Debt

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

	Beginning Balance	Reductions	Ending Balance	Amounts Due Within One Year
Loans and Notes Payable	\$ 753,125	\$ 36,659	\$ 716,466	\$ 37,576
	4,834	3,694	8,528	0

Payments on the loans are made by the Loan Fund. The compensated absences liability were 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	\$ 13,160
August 29, 2002	20,000	2.50%	20	14,999
September 10, 2002	250,000	2.50%	20	198,558
October 28, 2002	380,000	2.50%	20	318,227
September 24, 2003	195,000	2.50%	20	171,522
				\$ 716,466

The debt service requirements to maturity are as follows:

	Principal	Interest	Total
2008	\$ 37,576	\$ 17,912	\$ 55,488
2009	38,515	16,972	55,487

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	2010	39,478	16,009	55,487
	2011	40,465	15,022	55,487
	2012	41,476	14,011	55,487
	2013-2017	223,464	53,972	277,436
	2018-2022	247,601	24,704	272,305
	2023-2024	47,891	1,502	49,393
	<u>\$ 716,466</u>	<u>\$ 160,104</u>	<u>\$ 876,570</u>	

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, 2007, 2006 and 2005 were \$4,030, \$2,589, \$2,411, 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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June 30, 2007

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 District Clerk's husband obtained a cost share loan from the District to finance the irrigation pipe. The note is for \$2,500 over 10 years, at an interest rate of 3.5% dated February 2, 2002. The loan was approved by the Board of Supervisors in the same manner as other cost share loan projects 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.

The District Clerk'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.

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, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds and the combining and individual funds presented as supplemental information of Chaves Soil & Water Conservation District, (District), as of and for the year ended June 30, 2007, and have issued our report thereon dated June 30, 2009. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting as item 07-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weakness. However, we believe that the significant deficiency described above is not a material weakness.

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 one 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 responses as item 07-01.

The District's response to the finding in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District'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.

De'Ann Willoughby CPA PC

June 30, 2009

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT
Schedule of Findings and Responses
June 30, 2007

Prior Year Audit Findings

None

Current Year Audit Findings

07-1 Late Audit Report

Condition

The audit report was filed after the due date. The report was submitted on 06/30/09 to the State Auditor's Office.

Criteria

According to the State Auditor Rule 2.2.2.9 (d), the audit report due date for the District is December 1.

Cause

The District did not contract with the auditor until after the due date of the audit report.

Effect

The users of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc., do not have timely audit reports and financial statements for their review. Late audit report could have an effect on state and federal funding.

Recommendation

The District should make every effort to hire an auditor and complete their audit timely.

Response

We will make an effort to solicit an auditor and complete our audit timely.

07-2 Preparation of Financial Statements

Condition

The individuals responsible for the accounting functions for the District did not prepare the districts' financial statements. The Financial statements were prepared by the auditor.

Criteria

Statement on Accounting Standards (SAS) 112, Communication of Internal Control Related Matters Identified in an Audit, requires that management clearly accept responsibility for preparing all financial information and company's financial statements.

Cause

Individuals responsible for the accounting and reporting functions for the District have not received training relating to the preparation of the District's financial statements in accordance with GASB (Governmental Accounting Standards Board) Statement No 34 and subsequent pronouncements.

Effect

Individuals, without the aid of its auditors, are unable to accurately prepare the District's financial statements in accordance with the accounting standards with the regard to apply generally accepted accounting principals.

Recommendation

We recommend the District's accounting management receive training relating to the preparation of the District's financial statements in accordance with generally accepted accounting principles. This would give the accounting management responsible for the accounting and reporting functions the skills and knowledge to apply generally accepted accounting principals to the financial

Response

The District will continue to rely on the auditors to prepare the financial statements.

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 June 30, 2009. Those present were, Doug Whitney-Supervisor, Joy Wagner-Administrative Assistant, and De'Aun Willoughby, CPA.