



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

**ANNUAL FINANCIAL REPORT**  
June 30, 2009

**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, 2009

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STATE OF NEW MEXICO  
**CHAVES SOIL AND WATER CONSERVATION DISTRICT**  
Official Roster  
June 30, 2009

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**BOARD OF SUPERVISORS**

Aubrey Dunn Jr	Chairperson
John Sisk	Vice-Chairperson
LeRoy Lang	Secretary/Treasurer
Doug Whitney	Supervisor
Anthony Treat	Supervisor
Bill 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, 2009, 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, 2009, 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 November 17, 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*

November 17, 2009

STATE OF NEW MEXICO  
**CHAVES SOIL AND WATER CONSERVATION DISTRICT**  
 Government-Wide Statement of Net Assets  
 June 30, 2009

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ASSETS	Governmental Activities
Current Assets	
Cash in Banks	\$ 506,649
Taxes Receivable	20,065
Interest Receivable	7,032
Current Amount of Notes Receivable	97,509
Total Current Assets	<u>631,255</u>
Noncurrent Assets	
Capital Assets	16,371
Less: Accumulated Depreciation	(3,510)
Notes Receivable	486,167
Less: Current Portion	(97,509)
Total Noncurrent Assets	<u>401,519</u>
Total Assets	<u>1,032,774</u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accrued Salaries and Benefits	2,452
Current Portion of Long Term Debt	39,478
Total Current Liabilities	<u>41,930</u>
Noncurrent Liabilities	
Loans Payable	640,375
Less Current Portion	(39,478)
Total Noncurrent Liabilities	<u>600,897</u>
Total Liabilities	<u>642,827</u>
Net Assets	
Invested in Capital Assets	12,861
Unrestricted	377,086
Total Net Assets	<u>\$ 389,947</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, 2009

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	Governmental Activities
Program Expenses:	
Personnel Services	\$ 86,816
Operating Expenses	10,696
Conservation Programs	77,679
Interest	16,972
Depreciation	1,429
Total Program Expenses	<u>193,592</u>
Program Revenues	
Charge for Services	<u>9,354</u>
Total Program Revenues	<u>9,354</u>
Net Program (Expense) Revenue	<u>(184,238)</u>
General Revenues	
Property Taxes	125,576
State Allocation	10,751
Conservation Grant	76,618
Interest Income	27,813
Miscellaneous	17,538
	<u>258,296</u>
Change in Net Assets	74,058
Net Assets at Beginning of Year	<u>315,889</u>
Net Assets at End of Year	<u>\$ 389,947</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, 2009

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	General Fund	Loan Fund	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 316,244	\$ 190,405	\$ 506,649
Taxes Receivable	20,065	0	20,065
Interest Receivable	373	6,659	7,032
Notes Receivable	0	486,167	486,167
Total Assets	<u>\$ 336,682</u>	<u>\$ 683,231</u>	<u>\$ 1,019,913</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Current Liabilities			
Accrued Payroll	\$ 2,452	\$ 0	\$ 2,452
Total Liabilities	<u>2,452</u>	<u>0</u>	<u>2,452</u>
Fund Balances			
Unreserved Reported In:			
General Fund	334,230	0	334,230
Special Fund	0	683,231	683,231
Total Fund Balances	<u>334,230</u>	<u>683,231</u>	<u>1,017,461</u>
Total Liabilities and Fund Balances	<u>\$ 336,682</u>	<u>\$ 683,231</u>	<u>\$ 1,019,913</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, 2009

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

Total Fund Balance - Governmental Funds		\$	1,017,461
Capital assets used in governmental activities are not			
The cost of capital assets	\$	16,371	
Accumulated depreciation is		<u>(3,510)</u>	12,861
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>(640,375)</u>
Total net assets - governmental activities		\$	<u><u>389,947</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, 2009

	General Fund	Loan Fund	Total
<b>Revenues</b>			
Property Taxes	\$ 125,576	\$ 0	\$ 125,576
State Allocation	10,751	0	10,751
Conservation Grant	76,618	0	76,618
Chemical Sales	9,354	0	9,354
Interest Income	4,841	22,972	27,813
Miscellaneous	17,538	0	17,538
<b>Total Revenues</b>	<u>244,678</u>	<u>22,972</u>	<u>267,650</u>
<b>Expenditures</b>			
<b>Current</b>			
Personnel Services	86,816	0	86,816
Conservation Programs	77,679	0	77,679
Auto	1,702		
Dues & Subscriptions	700	0	700
Education	664	0	664
Insurance & Bond	327	0	327
Miscellaneous	190	87	277
Office & Postage	1,818	0	1,818
Travel & Per Diem	3,832	0	3,832
Workshop Expenses	1,376	0	1,376
Capital Outlay	14,290		14,290
<b>Debt Service</b>			
Principal	0	38,515	38,515
Interest	0	16,972	16,972
<b>Total Expenditures</b>	<u>189,394</u>	<u>55,574</u>	<u>244,968</u>
Excess (Deficiency) of Revenues Over Expenditures	55,284	(32,602)	22,682
Fund Balances at Beginning of Year	<u>278,946</u>	<u>715,833</u>	<u>994,779</u>
Fund Balance End of Year	<u>\$ 334,230</u>	<u>\$ 683,231</u>	<u>\$ 1,017,461</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, 2009

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Net Change in Fund Balance-Governmental Funds \$ 22,682

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	\$	(1,429)	
Capital Outlays		<u>14,290</u>	<u>12,861</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.

38,515

Changes in Net Assets of Governmental Activities

\$ 74,058

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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 77,000	\$ 77,000	\$ 106,212	\$ 29,212
State Allocation	9,000	9,000	10,751	1,751
Conservation Grant	213,000	213,000	76,618	(136,382)
Chemical Sales	0	0	9,354	9,354
Interest Income	10,795	10,795	4,643	(6,152)
Miscellaneous	500	500	17,538	17,038
Total Revenues	<u>310,295</u>	<u>310,295</u>	<u>225,116</u>	<u>(85,179)</u>
<b>Expenditures</b>				
Personnel Services	106,550	106,550	84,715	21,835
Conservation Programs	248,000	248,000	77,679	170,321
Audit	15,000	15,000	0	15,000
Auto	3,000	3,000	1,702	1,298
Capital Outlay	0	0	14,290	(14,290)
Dues & Subscriptions	2,000	2,000	700	1,300
Education	3,000	3,000	664	2,336
Insurance & Bond	500	500	326	174
Miscellaneous	900	900	191	709
Office & Postage	3,000	3,000	1,819	1,181
Travel & Per Diem	7,800	7,800	3,833	3,967
Workshop Expenses	3,500	3,500	1,376	2,124
Total Expenditures	<u>393,250</u>	<u>393,250</u>	<u>187,295</u>	<u>205,955</u>
Excess (Deficiency) of Revenues Over Expenditures	(82,955)	(82,955)	37,821	120,776
Beginning Cash Balance	<u>278,422</u>	<u>278,422</u>	<u>278,422</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 195,467</u>	<u>\$ 195,467</u>	<u>\$ 316,243</u>	<u>\$ 120,776</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 37,821	
Net Change in Property Taxes Receivable			19,365	
Net Change in Interest Receivable			198	
Net Change in Accrued Payroll			(2,100)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 55,284</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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Interest Income	\$ 25,000	\$ 25,000	\$ 21,461	\$ (3,539)
Total Revenues	<u>25,000</u>	<u>25,000</u>	<u>21,461</u>	<u>(3,539)</u>
Expenditures				
Loan Program	<u>55,574</u>	<u>55,574</u>	<u>55,574</u>	<u>0</u>
Total Expenditures	<u>55,574</u>	<u>55,574</u>	<u>55,574</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(30,574)	(30,574)	(34,113)	(3,539)
Beginning Cash Balance	<u>71,698</u>	<u>71,698</u>	<u>71,698</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 41,124</u>	<u>\$ 41,124</u>	<u>\$ 37,585</u>	<u>\$ (3,539)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (34,113)	
Net Change in Interest Receivable			<u>1,511</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (32,602)</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, 2009

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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 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, 2009

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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 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, 2009

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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:

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.

**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 vacaton pay is accrued shen 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, 2009

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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.



STATE OF NEW MEXICO  
**CHAVES SOIL AND WATER CONSERVATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2009

**III. Detailed Notes on all Funds**

**A. Cash and Investments**

	Account Type		Bank Balance 6/30/09		Reconciled Balance 6/30/09
<b>First American Bank</b>					
Chaves SWCD	Checking	\$	19,816	\$	19,816
Chaves SWCD	Checking		17,549		3,549
Chaves SWCD-Cost Share Account	Savings		28,159		28,159
			<u>65,524</u>		<u>51,524</u>
			Less: FDIC coverage		
			Amount uninsured	\$	<u>0</u>
<b>Valley Bank</b>					
Chaves SWCD-General Account	Checking	\$	17,953	\$	17,749
Chaves SWCD-Loan Account	Checking		150,307		150,307
Chaves Noxious Weed Account	Checking		102,333		91,026
			<u>270,593</u>	\$	<u>259,082</u>
			Less: FDIC coverage		
			Uninsured Amount	\$	<u>0</u>
<b>Roswell National</b>					
Chaves SWCD Noxious Brush Control Account	Savings	\$	28,356	\$	28,356
			Less: FDIC coverage		
			Amount uninsured	\$	<u>0</u>
<b>Pioneer Saving &amp; Trust</b>					
Chaves SWCD	Checking	\$	63,280	\$	63,713
Chaves SWCD CD	Savings		8,766		8,766
Chaves SWCD CD-Loan Account	Savings		40,098		40,098
Chaves SWCD CD-General	Savings		55,110		55,110
			<u>167,254</u>	\$	<u>167,687</u>
			Less: FDIC coverage		
			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, 2009, 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, 2009

**B. Capital Assets**

	Beginning Balance 6/30/08	Additions	Deletions	Ending Balance 6/30/09
Capital Assets, being Depreciated				
Computer Equipment	\$ 2,081	\$ 14,290	\$ 0	\$ 16,371
Total Capital Assets, being Depreciated	<u>2,081</u>	<u>14,290</u>	<u>0</u>	<u>16,371</u>
<b>Less Accumulated Depreciation</b>				
Equipment	<u>2,081</u>	<u>1,429</u>	<u>0</u>	<u>3,510</u>
Total Accumulated Depreciation	<u>2,081</u>	<u>1,429</u>	<u>0</u>	<u>3,510</u>
	<u>\$ 0</u>	<u>\$ 12,861</u>	<u>\$ 0</u>	<u>\$ 12,861</u>

Depreciation expense was charged to governmental activities as follows:

Conservation	\$ 1,429
Total depreciation expenses	<u>\$ 1,429</u>

**C. Long Term Debt**

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

	Beginning Balance 6/30/08	Reductions	Ending Balance 6/30/09	Amounts Due Within One Year 6/30/09
Loans and Notes Payable	\$ 678,890	\$ 38,515	\$ 640,375	\$ 39,478
	Beginning Balance 6/30/08	Increases	Reductions	Ending Balance 6/30/09
Compensated Absences	<u>\$ 0</u>	<u>\$ 6,953</u>	<u>\$ 6,953</u>	<u>\$ 0</u>

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	\$ 11,228
August 29, 2002	20,000	2.50%	20	13,160
September 10, 2002	250,000	2.50%	20	176,135
October 28, 2002	380,000	2.50%	20	284,977
September 24, 2003	\$ 195,000	2.50%	20	154,875
				<u>\$ 640,375</u>

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 June 30, 2009

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The debt service requirements to maturity are as follows:

	Principal	Interest	Total
2010 \$	39,478 \$	16,009 \$	55,487
2011	40,465	15,022	55,487
2012	41,476	14,011	55,487
2013	42,513	12,974	55,487
2014	43,576	11,911	55,487
2015-2019	234,777	42,659	277,436
2020-2024	198,089	12,634	210,723
\$	640,374 \$	125,220 \$	765,594

**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](http://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, 2009, 2008 and 2007 were \$4,907, \$3,484, and \$4,030, 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 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.

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, 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, 2009, and have issued our report thereon dated November 17, 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.

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.

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 or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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*

November 17, 2009

STATE OF NEW MEXICO  
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Schedule of Findings and Responses  
June 30, 2009

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**Prior Year Audit Findings**

07-2 Preparation of Financial Statements

Statue  
Resolved

**Current Year Audit Findings**

There are no current year audit findings.

**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 17, 2009. Those present were, Jerry Vaz-Supervisor, Joy Wagner-Administrative Assistant, and De'Aun Willoughby, CPA.