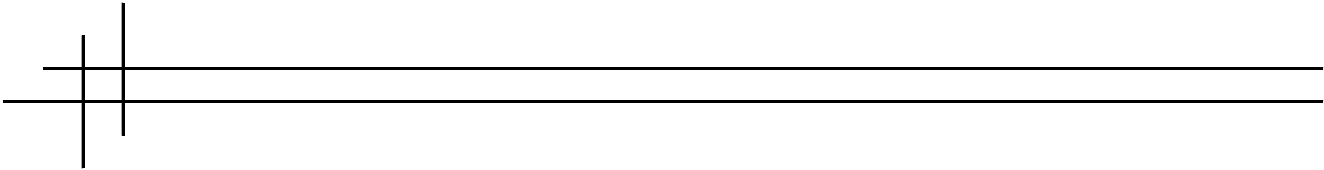


State of New Mexico
Chaves Soil and Water Conservation District
Roswell, New Mexico

Annual Financial Report
June 30, 2016

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, 2016

	<u>Page</u>
Official Roster.....	3
Independent Auditor's Report.....	4-5
 Financial Section 	
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
General Fund	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	12
Special Revenue Fund	
Loan Fund	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	13
Notes to Financial Statements.....	14-25
 Required Supplemental Information 	
Schedules of Required Supplementary Information for Pension Plan.....	27
Notes to Required Supplementary Information for Pension Plan.....	28
 Other Supplemental Information 	
Vendor Schedule	30
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>	31-32
Schedule of Findings and Responses.....	33

State of New Mexico
Chaves Soil and Water Conservation District
Official Roster
June 30, 2016

BOARD OF SUPERVISORS

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

DISTRICT PERSONNEL

Joy Wagner	Administrative Assistant
------------	--------------------------

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report

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

Mr. Keller 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, 2016, 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, 2016, 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

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

The Vendor Schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2016, 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
November 8, 2016

State of New Mexico
Chaves Soil and Water Conservation District
Government-Wide Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 806,021
Accounts Receivable (net of allowance for uncollectibles)	1,668
Taxes Receivable	13,921
Interest Receivable	924
Inventory	34,810
Current Amount of Notes Receivable	26,983
Total Current Assets	884,327
Noncurrent Assets	
Notes Receivable	93,412
Less: Current Portion	(26,983)
Capital Assets	39,618
Less: Accumulated Depreciation	(22,070)
Total Noncurrent Assets	83,977
Total Assets	968,304
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Changes in Proportion	1,787
Contributions Subsequent to Measurement Date	13,024
Total Deferred Outflows of Resources	14,811
Liabilities	
Current Liabilities	
Accounts Payable	3,445
Accrued Salaries and Benefits	1,383
Compensated Absences	10,153
Current Portion of Long Term Debt	31,061
Total Current Liabilities	46,042
Noncurrent Liabilities	
Loans Payable	181,424
Less Current Portion	(31,061)
Pension Liability	81,567
Total Noncurrent Liabilities	231,930
Total Liabilities	277,972
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	1,807
Changes of Assumptions	32
Investment Experience	258
Total Deferred Inflows of Resources	2,097
Net Position	
Net Investment in Capital Assets	17,548
Restricted	228,577
Unrestricted	456,921
Total Net Position	\$ 703,046

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, 2016

	Governmental Activities
Program Expenses:	
Personnel Services	\$ 115,389
Conservation Programs	147,253
Operating Expenses	24,778
Interest Expense	5,350
Total Program Expenses	<u>292,770</u>
Program Revenues:	
Conservation Grant	139,694
Chemical Sales, net of cost	8,316
	<u>148,010</u>
Net Program (Expense) Revenue	<u>(144,760)</u>
General Revenues	
Property Taxes	192,961
State Allocation	19,877
Interest Income	5,086
Miscellaneous	955
	<u>218,879</u>
Change in Net Position	74,119
Net Position at Beginning of Year	<u>628,927</u>
Net Position at End of Year	<u>\$ 703,046</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, 2016

	<u>General</u>	<u>Special Revenue</u> <u>Loan</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 671,780	\$ 134,241	\$ 806,021
Accounts Receivable	1,668	0	1,668
Taxes Receivable	13,921	0	13,921
Interest Receivable	0	924	924
Inventory	34,810	0	34,810
Notes Receivable	0	93,412	93,412
Total Assets	<u>\$ 722,179</u>	<u>\$ 228,577</u>	<u>\$ 950,756</u>
Liabilities			
Accounts Payable	\$ 3,445	\$ 0	\$ 3,445
Accrued Payroll	1,383	0	1,383
Total Liabilities	<u>4,828</u>	<u>0</u>	<u>4,828</u>
Deferred Inflows of Resources			
Deferred Revenue	11,483	0	11,483
Total Deferred Inflows of Resources	<u>11,483</u>	<u>0</u>	<u>11,483</u>
Fund Balances			
Nonspendable-Inventory	34,810	0	34,810
Restricted for Special Fund	0	228,577	228,577
Unrestricted	671,058	0	671,058
Total Fund Balances	<u>705,868</u>	<u>228,577</u>	<u>934,445</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 722,179</u>	<u>\$ 228,577</u>	<u>\$ 950,756</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, 2016

Total Fund Balance - Governmental Funds \$ 934,446

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

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. 11,483

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

Capital Assets	\$	39,618	
Accumulated Depreciation		<u>(22,071)</u>	17,547

Deferred Outflows and Inflows Related to Pensions are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions		14,811	
Deferred Inflows Related to Pensions		<u>(2,097)</u>	12,714

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		(181,424)	
Pension Liability		(81,567)	
Compensated Absences		<u>(10,153)</u>	<u>(273,144)</u>

Total Net Position - Governmental Activities \$ 703,046

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, 2016

	General	<u>Special Revenue</u> Loan	Total
Revenues			
Property Taxes	\$ 188,909	\$ 0	\$ 188,909
State Allocation	19,877	0	19,877
Conservation Grant	139,694	0	139,694
Chemical Sales, net of cost	8,316	0	8,316
Interest Income	917	4,169	5,086
Miscellaneous	955	0	955
Total Revenues	<u>358,668</u>	<u>4,169</u>	<u>362,837</u>
Expenditures			
Current			
Personnel Services	114,962	0	114,962
Audit	4,582	0	4,582
Bond & Legal	1,814	0	1,814
Conservation Programs	143,499	0	143,499
Election	0	0	0
Meetings and Dues	679		
Miscellaneous	521		521
Office & Postage	3,035	0	3,035
Training and Workshops	7,051		
Travel & Per Diem	2,926	0	2,926
Vehicle	4,169	0	4,169
Capital Outlay	12,860	0	12,860
Debt Service			
Principal	0	31,560	31,560
Interest	0	5,350	5,350
Total Expenditures	<u>296,098</u>	<u>36,910</u>	<u>333,008</u>
Excess (Deficiency) of Revenues Over Expenditures	62,570	(32,741)	29,829
Fund Balances at Beginning of Year	<u>643,300</u>	<u>261,317</u>	<u>904,617</u>
Fund Balance End of Year	<u>\$ 705,870</u>	<u>\$ 228,576</u>	<u>\$ 934,446</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, 2016

Net Change in Fund Balance-Governmental Funds	\$	29,829
---	----	--------

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, 2015	\$	(7,432)	
Property Taxes Receivable, June 30, 2016		<u>11,483</u>	4,051

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		(3,754)	
Capital Outlays		<u>12,860</u>	<u>9,106</u>

Pension contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension expense is reported in the Statement of Activities but not in the governmental funds.

Pension Contributions		(6,571)	
Pension Expense		<u>8,304</u>	1,733

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

31,560

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, 2015		7,993	
Compensated Absences, June 30, 2016		<u>(10,153)</u>	<u>(2,160)</u>

Changes in Net Position of Governmental Activities	\$	<u><u>74,119</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
 General Fund
 Statement of Revenues, Expenditures, and Changes in Cash Balance
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 185,000	\$ 185,000	\$ 187,891	\$ 2,891
State Allocation	12,000	12,000	19,877	7,877
Conservation Grant	200,000	200,000	139,694	(60,306)
Chemical Sales	20,000	20,000	376	(19,624)
Interest Income	150	150	917	767
Miscellaneous	500	500	955	455
Total Revenues	<u>417,650</u>	<u>417,650</u>	<u>349,710</u>	<u>(67,940)</u>
Expenditures				
Salary	140,000	140,000	114,937	25,063
Audit	6,000	6,000	4,582	1,418
Office	7,000	7,000	2,937	4,063
Bonding & Legal	15,000	15,000	1,814	13,186
Election	500	500	0	500
Postage	500	500	98	402
Training & Workshops	10,000	10,000	7,051	2,949
Travel (Per diem & mileage)	3,000	3,000	2,926	74
Meetings & Dues	7,500	7,500	679	6,821
Miscellaneous	5,000	5,000	621	4,379
Vehicle Expenses	10,000	10,000	4,351	5,649
Conservation Expenses	210,000	210,000	158,159	51,841
Capital Outlay	0	0	12,860	(12,860)
Total Expenditures	<u>414,500</u>	<u>414,500</u>	<u>311,014</u>	<u>103,486</u>
Excess (Deficiency) of Revenues Over Expenditures	3,150	3,150	38,696	35,546
Cash Balance Beginning of Year	<u>633,084</u>	<u>633,084</u>	<u>633,084</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 636,234</u>	<u>\$ 636,234</u>	<u>\$ 671,780</u>	<u>\$ 35,546</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 38,696	
Net Change in Accounts Receivable			1,668	
Net Change in Property Taxes Receivable			5,069	
Net Change in Inventory			9,278	
Net Change in Accounts Payable			11,631	
Net Change in Accrued Payroll			279	
Net Change in Deferred Taxes			(4,051)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 62,570</u>	

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

State of New Mexico
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, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Interest & Principal Payments	\$ 75,000	\$ 75,000	\$ 33,946	\$ (41,054)
Total Revenues	<u>75,000</u>	<u>75,000</u>	<u>33,946</u>	<u>(41,054)</u>
Expenditures				
Debt Service				
Principal	149,975	149,975	31,560	118,415
Interest	<u>13,115</u>	<u>13,115</u>	<u>5,349</u>	<u>7,766</u>
Total Expenditures	<u>163,090</u>	<u>163,090</u>	<u>36,909</u>	<u>126,181</u>
Excess (Deficiency) of Revenues Over Expenditures	(88,090)	(88,090)	(2,963)	85,127
Cash Balance Beginning of Year	<u>137,204</u>	<u>137,204</u>	<u>137,204</u>	<u>0</u>
Cash Balance End of Year	\$ <u>49,114</u>	\$ <u>49,114</u>	\$ <u>134,241</u>	\$ <u>85,127</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (2,963)	
Net Change in Interest Receivable			(385)	
Net Change in Notes Receivable			<u>(29,393)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(32,741)</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, 2016

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, 2016

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, 2016

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 and Equipment	10 years
------------------------	----------

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, 2016

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, 2016

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

	Account Type	Bank Balance 6/30/16	Reconciled Balance 6/30/16
First American Bank			
Chaves SWCD	Checking-Interest bearing	\$ 45,415	\$ 45,415
Chaves SWCD	Checking-Non-Interest bearing	3,445	3,445
Chaves SWCD-Cost Share Account	Savings-Interest bearing	63,497	63,497
		<u>112,357</u>	<u>\$ 112,357</u>
	Less: FDIC coverage	(112,357)	
	Amount uninsured	<u>\$ 0</u>	

	Account Type	Bank Balance 6/30/16	Reconciled Balance 6/30/16
Valley Bank			
Chaves SWCD-General Account	Checking-Interest bearing	\$ 71,738	\$ 71,987
Chaves SWCD-Loan Account	Checking-Interest bearing	93,571	93,571
Chaves Noxious Weed Account	Checking-Interest bearing	152,315	152,315
		<u>317,624</u>	<u>\$ 317,873</u>
	Less: FDIC coverage	(250,000)	
	Amount uninsured	\$ 67,624	
	50% collateral requirement	33,812	
	Pledged securities	49,910	
	Over (Under) requirement	<u>\$ 16,098</u>	

The following securities are pledged:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FFCB	3133EC7B4	\$ 49,910	12/31/2014	TIB-Dallas, TX
		<u>\$ 49,910</u>		

	Account Type	Bank Balance 6/30/16	Reconciled Balance 6/30/16
The James Polk Community Bank			
Chaves SWCD Noxious Brush Control Account	Savings	\$ 29,237	\$ 29,237
Chaves SWCD CD Cost Control	Savings	\$ 29,158	\$ 29,158
		<u>58,395</u>	<u>\$ 58,395</u>
	Less: FDIC coverage	(58,395)	
	Amount uninsured	<u>\$ 0</u>	

State of New Mexico
Chaves Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2016

	Account Type	Bank Balance 6/30/16	Reconciled Balance 6/30/16
Pioneer Saving & Trust			
Chaves SWCD Brush Control	Savings-Interest bearing	68,694	68,694
Chaves SWCD Loan Account	Savings-Interest bearing	40,670	40,670
Chaves SWCD	Checking-Interest bearing	40,553	0
Chaves SWCD CD-Loan Account	Savings-Interest bearing	9,256	9,256
Chaves SWCD	Checking-Interest bearing	821	0
Chaves SWCD CD-General	Savings-Interest bearing	198,776	198,776
		<u>358,770</u>	<u>\$ 317,396</u>
	Less: FDIC coverage	(250,000)	
	Amount uninsured \$	108,770	
	50% collateral requirement	54,385	
	Pledged securities	500,008	
	Over (Under) requirement \$	<u>445,623</u>	

The following securities are pledged:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FFCB Call After 2/21/13	3133EC3W2	\$ 500,008	02/21/2020	FHLB-Dallas, TX
		<u>\$ 500,008</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	\$ 670,752
Collateralized	
Collateral held by the pledging bank in District's name	129,522
Uninsured and uncollateralized	17,714
Total Deposits	<u>\$ 817,988</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, 2016 \$17,714 of the District's bank balances of \$817,988 were exposed to custodial credit risk.

State of New Mexico
Chaves Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2016

B. Capital Assets

	Beginning Balance 6/30/15	Additions	Deletions	Ending Balance 6/30/16
Capital Assets, being Depreciated				
Equipment	\$ 2,081	\$ 12,860	\$ 0	\$ 14,941
Vehicles	24,677	0	0	24,677
Total Capital Assets, being Depreciated	<u>26,758</u>	<u>12,860</u>	<u>0</u>	<u>39,618</u>
Less Accumulated Depreciation				
Computer Equipment	2,081	1,286	0	3,367
Vehicles	16,235	2,468	0	18,703
Total Accumulated Depreciation	<u>15,849</u>	<u>3,754</u>	<u>0</u>	<u>22,070</u>
	<u>\$ 10,909</u>	<u>\$ 9,106</u>	<u>\$ 0</u>	<u>\$ 17,548</u>

Depreciation expense was charged to governmental activities as follows:

Conservation	\$ 3,754
Total depreciation expenses	<u>\$ 3,754</u>

C. Long Term Debt

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

	Beginning Balance 6/30/15	Reductions	Ending Balance 6/30/16	Amounts Due Within One Year
Loans and Notes Payable	\$ 212,984	\$ 31,560	\$ 181,424	\$ 31,060
	Beginning Balance 6/30/15	Earned	Used	Ending Balance One Year
Compensated Absences	\$ 7,993	\$ 8,001	\$ 5,841	\$ 10,153

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	\$ 123,254
September 24, 2003	195,000	2.50%	20	58,170
				<u>\$ 181,424</u>

State of New Mexico
Chaves Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2016

The debt service requirements to maturity are as follows:

	Principal	Interest	Total
2017	\$ 31,061	\$ 4,598	\$ 35,659
2018	31,838	3,821	35,659
2019	32,633	3,025	35,658
2020	33,449	2,209	35,658
2021	34,285	1,373	35,658
2022	18,158	516	18,674
	\$ 181,424	\$ 15,542	\$ 196,966

IV. Other Information

A. Retirement Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C- 1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 3390.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

State of New Mexico
Chaves Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2016

Contributions. The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures of the PERA FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf. The PERA coverage options that apply to District are Municipal Plan 1. Statutorily required contributions to the pension plan from the District were \$14,119 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The District's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal Plan 2 at June 30, 2016, the District reported a liability of \$81,567 for its proportionate share of the net pension liability. At June 30, 2015, the District's proportion was 0.0080%, which was an increase of 0.0003 % from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized PERA Fund Division Municipal Plan 2 pension expense of \$. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

State of New Mexico
Chaves Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience \$	0 \$	(1,807)
Changes of assumptions	0	(32)
Net difference between projected and actual earnings on pension plan investments	0	(258)
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,787	0
District's contributions subsequent to the measurement date	13,024	0
Total	\$ 14,811	\$ (2,097)

\$13,024 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	\$	(2,160)
2017		(2,160)
2018		(2,160)
2019		4,383
Total	\$	(2,097)

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
(1) Investment rate of return	7.75% annual rate, net of investment expense
(2) Projected benefit payment	100 years
(3) Payroll growth	3.50% annual rate
(4) Projected salary increases	3.50 to 14.25% annual rate

State of New Mexico
Chaves Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2016

(5) Includes inflation at	3.00% annual rate
(6) Mortality Assumption	RP-2000Mortality Tables (combined table for healthy post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
(7) Experience Study Dates	July 1, 2008 to June 30, 2013

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.10%	5.00%
International Equity	24.80%	5.20%
Private Equity	7.00%	8.20%
Core and Global Fixed Income	26.10%	1.85%
Fixed Income Plus Sectors	5.00%	4.80%
Real Estate	5.00%	5.30%
Real Assets	7.00%	5.70%
Absolute Return	4.00%	4.15%

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

State of New Mexico
Chaves Soil and Water Conservation District
Notes to the Financial Statements
June 30, 2016

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the District's net pension liability in the Municipal Plan 2 and Police 5 PERA Fund Divisions that the District participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The District's proportionate share of the net pension liability	\$ 138,876	\$ 81,567	\$ 33,918

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

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. Subsequent Events

Subsequent events were evaluated through November 8, 2016, which is the date the financial statements were available to be

E. 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% maturing on 2/01/2020. The loan was approved by the Board of Supervisors in the same manner as other cost share loan projects are approved.

Required Supplemental Information

State of New Mexico
Chaves Soil and Water Conservation District
Schedules of Required Supplementary Information for Pension Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.00770%	0.00800%
District's proportionate share of the net pension liability	\$ 60,070	\$ 81,567
District's covered-employee payroll	\$ 84,250	\$ 88,797
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	71.30%	91.86%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Schedule of District's Contributions

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 13,024	\$ 14,119
Contributions in relation to the contractually required contribution	<u>13,024</u>	<u>14,119</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 84,250	\$ 88,797
Contributions as a percentage of covered-employee payroll	15.46%	15.90%

* These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

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 Required Supplementary Information for Pension Plan
For the Year Ended June 30, 2016

Changes in Benefit Terms – The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at:
http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Changes of Assumptions – The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at:
http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-302015%20PERA%20Valuation%20Report_FINAL.pdf.

Other Supplemental Information

Chaves Soil and Water Conservation District

Vendor Schedule

For the Year Ended June 30, 2016

<i>RFB#/RFP# (If applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in- state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
---	---------------------------------------	-------------------------------	--	---	---	--	---	---	--	--

None

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. Tim Keller
State Auditor of the State of New Mexico
Board of Supervisors of the Chaves Soil and Water Conservation District

Mr. Keller 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2016.

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. However, material weaknesses may exist that have not been identified.

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

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.

 CPA PC

Clovis, New Mexico
November 8, 2016

Prior Year Audit Findings

2015-001 State Unemployment

Status
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 November 8, 2016. Those present were, Jerry Vaz-Board Supervisor, Joy Wagner-Administrative Assistant, and De'Aun Willoughby, CPA.