
STATE OF NEW MEXICO
Chaves Soil and Water Conservation District
June 30, 2019

Financial Statements and Supplementary Information
As Of And For The Year Ended June 30, 2019
With Independent Auditor's Report Thereon

*Sandra Rush CPA PC
1101 E Llano Estacado
Clovis, New Mexico 88101*

Introductory Section

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT

Official Roster
For the year ended June 30, 2019

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
Rebecca Healy	Noxious Weed Coordinator

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT

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For the year ended June 30, 2019

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STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT

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Financial Section

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Independent Auditor's Report

Mr. Brian S Colón
State Auditor of the State of New Mexico
Board of Supervisors
Chaves Soil and Water Conservation District
Roswell New Mexico

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, 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, 2019, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the District as of June 30, 2019, and the respective changes in financial position, 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. My opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of the Proportionate Share of Net Pension Liability and the Schedule of Contributions, the notes to the Required Supplementary Information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the basic financial statements. The supplemental information as noted in the table of contents required by Section 2.2.2 NMAC is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplemental schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated August 23, 2019, on my consideration of the District's internal control over financial reporting and on my 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 my 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.

Sandra Rush CPA PC

Sandra Rush CPA PC
Clovis, New Mexico
August 23, 2019

Basic Financial Statements

Government-Wide Financial Statements

STATE OF NEW MEXICO
 CHAVES SOIL AND WATER CONSERVATION DISTRICT

Statement of Net Position
 June 30, 2019

	<u>Governmental Activities</u>
Assets and deferred outflows of resources	
Assets	
Current assets	
Cash and cash equivalents	\$ 831,529
Receivables (net)	
Accounts	1,849
Interest	285
Tax	11,681
Note - current	18,897
Inventory	<u>29,108</u>
Total current assets	893,349
Noncurrent assets	
Capital assets	58,199
Less accumulated depreciation	<u>(27,475)</u>
Total noncurrent assets	<u>30,724</u>
Total assets	<u>924,073</u>
Deferred outflows of resources	
Related to net pension liability	<u>49,014</u>
Total assets and deferred outflows of resources	<u>\$ 973,087</u>
Liabilities, deferred inflows of resources and net position	
Liabilities	
Current liabilities	
Accrued wages payable	\$ 3,058
Note payable - current portion	<u>34,836</u>
Total current liabilities	37,894
Noncurrent liabilities	
Compensated absences	9,092
Note payable	47,094
Net pension liabilities	<u>153,060</u>
Total noncurrent liabilities	<u>209,246</u>
Total liabilities	247,140
Deferred inflows of resources	
Related to net pension liability	<u>4,899</u>
Total deferred inflows of resources	<u>4,899</u>
Net position	
Net investment in capital assets	30,724
Restricted for	
General	-
Special revenue	105,809
Unrestricted	<u>584,515</u>
Total net position	<u>721,048</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 973,087</u>

See notes to financial statements

STATE OF NEW MEXICO
 CHAVES SOIL AND WATER CONSERVATION DISTRICT

Statement of Activities
 For the year ended June 30, 2019

Functions / Programs	Expenses	Program Revenues			Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Conservation	\$ 322,314	\$ 16,179	\$ 103,013	\$ -	\$ (203,122)
Interest	2,613	-	-	-	(2,613)
Total expenditures	<u>\$ 324,927</u>	<u>\$ 16,179</u>	<u>\$ 103,013</u>	<u>\$ -</u>	(205,735)
General revenues					
Taxes					
Property					202,738
Interest					<u>3,595</u>
Total general revenues					<u>206,333</u>
Change in net position					598
Net position beginning					721,473
Net position restatement					<u>(1,023)</u>
Net position beginning restated					<u>720,450</u>
Net position - ending					<u>\$ 721,048</u>

Fund Financial Statements

STATE OF NEW MEXICO
 CHAVES SOIL AND WATER CONSERVATION DISTRICT

Balance Sheet - Governmental Funds
 June 30, 2019

	<u>General Fund</u>	<u>Special Revenue Loan</u>	<u>Total</u>
Assets and deferred outflows of resources			
Assets			
Cash and cash equivalents	\$ 726,005	\$ 105,524	\$ 831,529
Receivables			
Accounts	1,849	-	1,849
Interest	-	285	285
Taxes	11,681	-	11,681
Inventory	29,108	-	29,108
	<u>768,643</u>	<u>105,809</u>	<u>874,452</u>
Total assets			
Deferred outflows of resources			
Unavailable resources	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 768,643</u>	<u>\$ 105,809</u>	<u>\$ 874,452</u>
Liabilities, deferred inflows of resources and fund balances			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	3,058	-	3,058
	<u>3,058</u>	<u>-</u>	<u>3,058</u>
Total liabilities			
Deferred inflows of resources			
Unavailable revenues	7,667	-	7,667
	<u>7,667</u>	<u>-</u>	<u>7,667</u>
Fund balances			
Nonspendable	29,108	-	29,108
Restricted for			
General	-	-	-
Special revenue	-	105,809	105,809
Debt service	-	-	-
Unassigned	728,810	-	728,810
	<u>757,918</u>	<u>105,809</u>	<u>863,727</u>
Total fund balance			
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 768,643</u>	<u>\$ 105,809</u>	<u>\$ 874,452</u>

See notes to financial statements

STATE OF NEW MEXICO
 CHAVES SOIL AND WATER CONSERVATION DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Position - Governmental Activities
 For the year ended June 30, 2019

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

Fund balances - total governmental funds \$ 863,727

Capital assets used in governmental activities are not financial resources and, therefore,
 are not reported in the funds

Capital assets	\$ 58,199	
Accumulated depreciation	<u>(27,475)</u>	30,724

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 7,667

Notes receivable are not due and receivable in the current period and therefore are
 not reported as assets in the funds 18,897

Deferred outflows and inflows of resources related to pensions are applicable
 to future periods and, therefore, are not reported in the funds

Deferred outflows of resources related to net pension liability	49,014	
Deferred inflows of resources related to net pension liability	<u>(4,899)</u>	44,115

Certain liabilities, including accrued compensated absences, bonds payable,
 lease purchase notes and net pension liability, are not due and payable
 in the current period and, therefore, are not reported in the funds

Long- term debt	(81,930)	
Net pension liability	(153,060)	
Compensated absences	<u>(9,092)</u>	<u>(244,082)</u>

Net position of governmental activities in the Statement of Net Position \$ 721,048

See notes to financial statements

STATE OF NEW MEXICO
 CHAVES SOIL AND WATER CONSERVATION DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the year Ended June 30, 2019

	<u>General Fund</u>	<u>Special Revenue Loan</u>	<u>Total</u>
Revenues			
Property taxes	\$ 206,181	\$ -	\$ 206,181
State allocation	14,095	-	14,095
Conservation Grant	88,718	-	88,718
Chemical sales	16,179	-	16,179
Interest	1,994	1,601	3,595
Principal collected on notes receivable	-	18,920	18,920
Miscellaneous	200	-	200
Total revenues	<u>327,367</u>	<u>20,521</u>	<u>347,888</u>
Expenditures			
Current			
Conservation	300,758	-	300,758
Capital outlay	-	-	-
Debt service			
Principal	-	33,987	33,987
Interest	-	2,613	2,613
Total expenditures	<u>300,758</u>	<u>36,600</u>	<u>337,358</u>
Excess (deficiency) of revenues over expenditures	26,609	(16,079)	10,530
Other financing sources (uses)			
Operating transfers in (out)	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	<u>26,609</u>	<u>(16,079)</u>	<u>10,530</u>
Fund balance, beginning of year	731,302	121,896	853,198
Prior period restatement	7	(8)	(1)
Fund balance, beginning restatement	<u>731,309</u>	<u>121,888</u>	<u>853,197</u>
Fund balance, end of year	<u>\$ 757,918</u>	<u>\$ 105,809</u>	<u>\$ 863,727</u>

See notes to financial statements

STATE OF NEW MEXICO
 CHAVES SOIL AND WATER CONSERVATION DISTRICT

Reconciliation of Statement of Revenue, Expenditures and Change in
 Fund Balances - Governmental Funds - to the Statement of Activities -
 Governmental Activities
 For the year ended June 30, 2019

Amounts reported for governmental activities in the Statement of Activities are different because

Net change in fund balance - total governmental funds	\$	10,530
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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, 2018	\$ (11,110)	
Property taxes receivable, June 30, 2019	<u>7,667</u>	(3,443)

Receipt of loan principal is a revenue in the governmental funds, but the repayment reduces loan receivable in the statement of net position.	(18,920)
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Capital outlays to purchase or build capital assets are reported in the 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 for the period.

Depreciation expense	(5,612)
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The issuance of long-term debt (e.g., notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Note payable principal	33,987
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Expenditures in the statement of activities that do not provide current financial resources and are not reported as expenditures in the funds.

Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Compensated absences are expensed as paid in governmental fund statements and as increases to noncurrent liabilities on the statement of net position.

Change in deferred outflows and inflows related to net pension liability	(15,060)
Compensated absences	<u>(884)</u>

Change in net position of governmental activities	<u>\$ 598</u>
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See notes to financial statements

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT

General Fund - 101
Statement of Revenues, Expenditures, and Changes in
Cash Balances - Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2019

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 250,000	\$ 250,000	\$ 205,423	\$ (44,577)
State allocation	14,000	14,000	14,095	95
Conservation Grant	200,000	200,000	88,718	(111,282)
Chemical sales	20,000	20,000	15,548	(4,452)
Interest	350	350	1,994	1,644
Principal collected on notes receivable	-	-	-	-
Interest collected on notes receivable	-	-	-	-
Miscellaneous	500	500	200	(300)
Total revenues	484,850	484,850	325,978	(158,872)
Expenditures				
Current				
Conservation	548,500	548,500	297,280	251,220
Loan program disbursements	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	548,500	548,500	297,280	251,220
Excess (deficiency) of revenues over expenditures	(63,650)	(63,650)	28,698	92,348
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Designated cash	697,300	697,300	-	(697,300)
Total other financing sources (uses)	697,300	697,300	-	(697,300)
Net change in fund balances	633,650	633,650	28,698	(604,952)
Cash balance, beginning	-	-	697,300	697,300
Prior period beginning cash restatement	-	-	7	7
Cash balance, beginning restated	-	-	697,307	697,307
Cash balance, ending	\$ 633,650	\$ 633,650	\$ 726,005	\$ 92,355
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 28,698	
Adjustment to revenues for accruals and other deferrals			1,389	
Adjustment to expenditures for payables, prepaids and other accruals			(3,478)	
Net change in fund balance (GAAP Basis)			\$ 26,609	

See notes to financial statements

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT

Special Revenue Loan Fund - 299
Statement of Revenues, Expenditures, and Changes in
Cash Balances - Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2019

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
State allocation	-	-	-	-
Conservation Grant	-	-	-	-
Chemical sales	-	-	-	-
Interest	200	200	702	502
Principal collected on notes receivable	50,000	50,000	18,920	(31,080)
Interest collected on notes receivable	25,000	25,000	1,348	(23,652)
Miscellaneous	-	-	-	-
Total revenues	<u>75,200</u>	<u>75,200</u>	<u>20,970</u>	<u>(54,230)</u>
Expenditures				
Current				
Conservation	-	-	-	-
Loan program disbursements	100,000	100,000	-	100,000
Debt service				
Principal	45,000	45,000	33,987	11,013
Interest	5,000	5,000	2,898	2,102
Total expenditures	<u>150,000</u>	<u>150,000</u>	<u>36,885</u>	<u>113,115</u>
Excess (deficiency) of revenues over expenditures	(74,800)	(74,800)	(15,915)	58,885
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Designated cash	121,447	121,447	-	(121,447)
Total other financing sources (uses)	<u>121,447</u>	<u>121,447</u>	<u>-</u>	<u>(121,447)</u>
Net change in fund balances	46,647	46,647	(15,915)	(62,562)
Cash balance, beginning	-	-	121,447	121,447
Prior period beginning cash restatement	-	-	(8)	(8)
Cash balance, beginning	-	-	<u>121,439</u>	<u>121,439</u>
Cash balance, ending	<u>\$ 46,647</u>	<u>\$ 46,647</u>	<u>\$ 105,524</u>	<u>\$ 58,877</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (15,915)	
Adjustment to revenues for accruals and other deferrals			(449)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>285</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (16,079)</u>	

See notes to financial statements

STATE OF NEW MEXICO
CHAVES SOIL AND WATER CONSERVATION DISTRICT

Agency Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2019

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 46,692
Total assets	<u>\$ 46,692</u>
<u>LIABILITIES</u>	
Deposits held for others	\$ 46,692
Total liabilities	<u>\$ 46,692</u>

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

Note 1 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 and statement of activities) 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 2) contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, and 3) conservation grants. 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 is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when 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 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 money 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 governments' 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 and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The District is authorized under the provisions of Chapter 6, Article 10, Paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

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 activity's 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.

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 consists 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.

Note 2 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. 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.

Note 3 Detailed Notes on All Funds

A Depository Collateral

State statutes authorize the investment of the District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2019.

Deposits of funds may be made in interest or non-interest-bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case, shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

Per the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest-bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

New Mexico State Statutes require collateral pledged for deposits more than the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half the amount more than FDIC coverage on deposit with the institution.

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the District's deposits.

	First American Roswell NM	Valley Bank Carlsbad NM	Pioneer Savings & Trust Carlsbad NM	The James Polk Community Bank Carlsbad NM		
Total amount on deposit on June 30, 2019						
Chaves SWCD	\$ 63,878	\$ -	\$ -	\$ -	CD	Interest bearing
Chaves SWCD Cost Share Account	3,556	-	-	-	MMA	Interest bearing
Chaves SWCD Cost Share Account	92,314	-	-	-	Checking	Non-interest
Chaves SWCD General Account	-	67,755	-	-	Checking	Non-interest
Chaves SWCD Noxious Weed	-	209,771	-	-	MMA	Interest bearing
Chaves SWCD General Account	-	21,025	-	-	Checking	Non-interest
Chaves SWCD Loan Account	-	63,714	-	-	Checking	Interest bearing
Chavis SWCD Brush Control	-	-	53,764	-	Savings	Interest bearing
Chaves SWCD	-	-	9,662	-	CD	Interest bearing
Chaves SWCD	-	-	41,810	-	CD	Interest bearing
Chaves SWCD Loan Account	-	-	180,240	-	CD	Interest bearing
Chaves SWCD	-	-	45,391	-	Checking	Non-interest
Chaves SWCD	-	-	1,301	-	Checking	Non-interest
Chaves Noxious Brush Control	-	-	-	29,393	CD	Interest bearing
Total deposited	159,748	362,265	332,168	29,393		
Less FDIC coverage-Non-interest	(92,314)	(88,780)	(46,692)			
Less FDIC coverage-Interest bearing	(67,434)	(250,000)	(250,000)	(29,393)		
Total uninsured public funds	-	\$ 23,485	\$ 35,476	\$ -		
50% collateral requirement per Section 6-10-17, NMSA 1978	-	11,743	17,738	-		
Pledged securities (Schedule IV)		50,519	500,000			
Over (under)	\$ -	\$ 38,777	\$ 482,262	\$ -		

STATE OF NEW MEXICO
 CHAVES SOIL and WATER CONSERVATION DISTRICT
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Pledged Collateral

Per the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest-bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. The collateral pledged is listed below.

Valley Bank of Commerce		Market	Maturity	
Description	CUSIP #	Value	Date	Location
FHLB	3130AFV61	50,519	3/12/2021	TIB - DALLAS TEXAS

Pioneer Bank		Market	Maturity	
Description	CUSIP #	Value	Date	Location
FHLB	3130a8pc1	500,000	7/13/2023	TIB - DALLAS TEXAS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2019, none of the District's bank balance of \$883,574 was exposed to custodial credit risk.

	First American Roswell NM	Valley Bank Carlsbad NM	Pioneer Savings & Trust Carlsbad NM	The James Polk Community Bank Carlsbad NM
Custodial Credit Risk-Deposits				
Account Balance	\$ 159,748	\$ 362,265	\$ 332,168	\$ 29,393
FDIC Insured-Non Interest bearing	92,314	88,780	46,692	-
FDIC Insured-Interest bearing	67,434	250,000	250,000	29,393
Collateral:				
Collateral held by the pledging bank, not in the the District's name	-	50,519	500,000	-
Uninsured and uncollateralized	-	(27,034)	(464,524)	-
Total Deposits	<u>\$ 159,748</u>	<u>\$ 362,265</u>	<u>\$ 332,168</u>	<u>\$ 29,393</u>

B Receivables

Receivables as of June 30, 2019, are as follows:

Receivables	
Accounts	\$ 1,849
Interest	\$ 285
Taxes	\$ 11,681
Notes Receivable - Current	\$ 18,897

The above accounts receivable taxes and accounts receivable from grantor are deemed 100% collectible. In accordance with GASB No. 33, property tax receivables are presented net of unearned revenue in the governmental balance sheet.

STATE OF NEW MEXICO
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 Notes to the Financial Statements
 June 30, 2019

C Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2019 follows.

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Governmental activities:				
Capital assets being depreciated				
Vehicles	\$ 14,941	\$ -	\$ -	\$ 14,941
Equipment	43,258	-	-	43,258
Total assets being depreciated	<u>58,199</u>	<u>-</u>	<u>-</u>	<u>58,199</u>
Capital assets being depreciated				
Vehicles	(5,939)	(1,286)		(7,225)
Equipment	(15,924)	(4,326)		(20,250)
Total accumulated depreciation	<u>(21,863)</u>	<u>(5,612)</u>	<u>-</u>	<u>(27,475)</u>
Governmental activity capital assets, net	<u>\$ 36,336</u>	<u>\$ (5,612)</u>	<u>\$ -</u>	<u>\$ 30,724</u>

Capital assets, net of accumulated depreciation, at June 30, 2019 appear in the Statement of Net Position as follows:
 Governmental activities \$30,724.

Conservation	\$ 5,612
Total Depreciation	<u>\$ 5,612</u>

D Long-term Debt

During the year ended June 30, 2019 the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	Beginning Balance	Increases	Decrease	Ending Balance	Current Portion
Loans and Notes Payable	\$ 115,917	\$ -	\$ (33,987)	\$ 81,930	\$ 34,836
Compensated absences	\$ 8,208	\$ 10,853	\$ (9,969)	\$ 9,092	\$ -

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

The District entered into the following loans with the 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	\$ 57,760
September 24, 2003	\$ 195,000	2.50%	20	24,170
				<u>\$ 81,930</u>

The debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 34,836	\$ 2,048	\$ 36,884
2021	35,707	1,177	36,884
2022	11,387	285	11,672
	<u>\$ 81,930</u>	<u>\$ 3,510</u>	<u>\$ 85,440</u>

Note 4 Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the Combining Statements

Overview of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds.
None
- B. Expenditures exceeded appropriations by fund.
None
- C. Excess expenditures over budget.
The District did not reported expenditures in excess of budget at the function level at June 30, 2019.

Note 5 PERA Pension Plans

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. 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-, 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, unless specifically excluded.

Benefits provided

Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for Tier I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivor's annuities are also available.

TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members

in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5% and effective July 1, 2014 employer contributions were raised .05%. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions - See PERA's compressive annual financial report for Contribution provided description

Coverage Plan	PERA Contribution Rate and Pension Factor in effect during FY 2018					
	Employee Contribution Percent		Employer Contribution Percent	Pension Factor per year of Service		Pension Maximum as a Percentage of Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42%	8.50%	7.40%	2.00%	2.00%	90%
Municipal Plan 1 plan open to new employees	7.00%	8.50%	7.40%	2.00%	2.00%	90%
Municipal Plan 2 plan open to new employees	9.15%	10.65%	9.55%	2.50%	2.00%	90%
Municipal Plan 3 plan closed to new employees 6/95	13.15%	14.65%	9.55%	3.00%	2.50%	90%
Municipal Plan 4 plan closed to new employees 6/00	15.65%	17.15%	12.05%	3.00%	2.50%	90%
Municipal Police Plan 1	7.00%	8.50%	10.40%	2.00%	2.00%	90%
Municipal Police Plan 2	7.00%	8.50%	15.40%	2.50%	2.00%	90%
Municipal Police Plan 3	7.00%	8.50%	18.90%	2.50%	2.00%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.00%	2.50%	90%
Municipal Police Plan 5	16.30%	17.80%	18.90%	3.50%	3.00%	90%
Municipal Fire Plan 1	8.00%	9.50%	11.40%	2.00%	2.00%	90%
Municipal Fire Plan 2	8.00%	9.50%	17.90%	2.50%	2.00%	90%
Municipal Fire Plan 3	8.00%	9.50%	21.65%	2.50%	2.00%	90%
Municipal Fire Plan 4	12.80%	14.30%	21.65%	3.00%	2.50%	90%
Municipal Fire Plan 5	16.20%	17.70%	21.65%	3.50%	3.00%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.00%	3.00%	90%
State Police and Adult Correction Officer Plan 1	7.60%	9.10%	25.50%	3.00%	3.00%	90%
State Plan 3 Peace Officer	7.42%	8.92%	16.99%	3.00%	3.00%	90%
Juvenile Correction Officer Plan 2	4.78%	6.28%	26.12%	3.00%	3.00%	90%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

Municipal General Division at June 30, 2019, the District reported a liability of \$153,060 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the District's proportion was 0.0096%, which was increased 0.0008% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$23,564. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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 CHAVES SOIL and WATER CONSERVATION DISTRICT
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 June 30, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actuarial experience	\$ 4,423	\$ 4,019
Change in assumptions	13,877	880
Net difference between projected and actual earnings on plan investments	11,352	-
Change in proportion and difference between District contribution and proportionate share of contributions	11,160	
District's contribution subsequent to the measurement date	8,202	-
Totals	<u>\$ 49,014</u>	<u>\$ 4,899</u>

\$8,202 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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,		
2020	\$	21,140
2021	\$	10,235
2022	\$	3,944
2023	\$	594

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA	
Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	4 year smoothed market value
Actuarial Assumptions	
Investment rate of return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3%
Projected salary increases	3.25% to 3.50% annual rate
Includes inflation at	2.5% - 2.75% all other years
Mortality Assumption	RP-2014 Mortality Tables with female ages set forward one year. Future improvements in mortality rates are assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups
Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 and July 1, 2010 through June 30, 2018 (economic).

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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 June 30, 2019

All Funds Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	43.50%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to Include Real Estate Equity	20.00%	6.48%
Total	<u>100.00%</u>	

Discount rate:

A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.

The following presents the District's proportionate share of net pension liability calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 235,855	\$ 153,060	\$ 84,616

Pension plan fiduciary net position.

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

Note 6 Post-Employment Benefits

The Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico. As authorized under Section 9D of Chapter 6, Laws of 1990, the District has elected not to participate in the program. Information on the Retiree Health Care Act can be obtained at the Retiree Health Care, 4308 Carlisle Blvd. NE Ste 104, Albuquerque, NM 87109.

Note 7 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.

Note 8 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.

Note 9 Subsequent Events

Subsequent events were evaluated through August 23, 2019, which is the date the financial statements were available to be issued.

Note 10 Related Party Transactions

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.

Note 11 Restatement

Net Position beginning balance was restated to correct the cash balance \$(1), and the note receivable balance \$(1,022). A finding is not reported, the error was the result of the prior auditor's oversight.

The agency fund assets and liabilities were increased \$48,390. In the prior year two bank accounts in Chavis SWCD name and Federal EIN number were not reported in the audit. A finding is not reported, the error was the result of the prior auditor's oversight.

Note 12 GASB 77

The District entered into certain agreements during the year that involve tax abatements; the following tables outline the key information regarding the entities involved and the type and amounts of taxes abated during the year ending June 30, 2019.

Other Entities Disclosure-Chaves Soil & Water Conservation District

Fiscal Year Ended June 30, 2019

Agency number for Agency making the disclosure (Disclosing Agency)	5003
Disclosing Agency Name	Chaves County
Disclosing Agency Type	County Government
Tax Abatement Agreement Name	Industrial Revenue Bonds Project Agreement
Name of agency affected by abatement agreement (Affected Agency)	Chaves Soil & Water Conservation District
Agency number of Affected Agency	8009
Agency type of Affected Agency	Governmental
Tax Abatement Agreement Name	Industrial Revenue Bonds Project Agreement
Recipient(s) of tax abatement	AC Nutrition
Tax abatement program (name and brief description)	Industrial Revenue Bonds
Specific Tax Being Abated	Property Tax
Authority under which abated tax is paid to Affected Agency	Industrial Revenue Bond Act, Section 4-59-1 to 4-59-16 NMSA 1978
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	\$97
If the Disclosing Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	N/A

Required Supplementary Information

STATE OF NEW MEXICO
 CHAVES SOIL AND WATER CONSERVATION DISTRICT
 Required Supplementary Information
 Public Employees Retirement Association (PERA) Plan
 Last 10 Fiscal Years*

Schedule of Proportionate Share of the Net Pension Liability

	2015 2014	2016 2015	2017 2016	2018 2017	2019 2018
The District's proportion of the net pension liability (asset)	0.00770%	0.00800%	0.00830%	0.00880%	0.00960%
The District's proportionate share of the net pension liability	\$ 60,070	\$ 81,567	\$ 132,606	\$ 120,919	\$ 153,060
The District's covered-employee payroll	\$ 81,915	\$ 88,767	\$ 95,680	\$ 100,394	\$ 110,841
The District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	73.33%	91.89%	138.59%	120.44%	138.09%
Plan fiduciary net position as a percentage of the total pension liability	84.29%	76.99%	61.58%	52.95%	71.13%

Share of Pension Contributions

	2015	2016	2017	2018	2019
Contractually required contribution	\$ 6,062	\$ 6,571	\$ 7,080	\$ 7,429	\$ 8,202
Contributions in relation to the contractually required contribution	6,062	6,571	7,080	7,429	8,202
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
The District's covered-employee payroll	\$ 81,915	\$ 88,767	\$ 95,680	\$ 100,394	\$ 110,841
Contributions as a percentage of covered-employee payroll	7.40%	7.40%	7.40%	7.40%	7.40%

Note: Employee contributions are not included in these schedules.

Notes to Required Supplementary Information
 Year Ended June 30, 2019

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

Changes in assumptions and methods. Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

*Governmental Standards Accounting Board No. 68 requires ten years of historical information be presented: however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to 2015, the year the statement's requirements became effective.

Supplementary Information Related to Agency Funds

AGENCY FUNDS

To account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or other governments and/or other funds.

The District has the following funds classified as Agency Funds:

Activity - To account for assets held by the District until distributed to various organizations at the schools.

STATE OF NEW MEXICO
 CHAVES SOIL AND WATER CONSERVATION DISTRICT
 Agency Fund
 Statement of Changes in Assets and Liabilities
 June 30, 2019

Schedule II

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Adjustment</u>	<u>Ending Balance</u>
<u>ASSETS</u>					
State Association SWCD health insurance	\$ -	\$ 369,266	\$ (371,400)	\$ 47,525	\$ 45,391
State Association SWCD AFLAC insurance	-	5,035	(4,599)	865	1,301
Total assets	<u>\$ -</u>	<u>\$ 374,301</u>	<u>\$ (375,999)</u>	<u>\$ 48,390</u>	<u>\$ 46,692</u>
<u>LIABILITIES</u>					
Funds handled on behalf of others	\$ -	\$ 374,301	\$ (375,999)	\$ 48,390	\$ 46,692
Total liabilities	<u>\$ -</u>	<u>\$ 374,301</u>	<u>\$ (375,999)</u>	<u>\$ 48,390</u>	<u>\$ 46,692</u>

Other Supplemental Information

Bank Reconciliation - All Accounts
For the Year Ended June 30, 2019

	<u>Beginning Cash</u>	<u>Receipts</u>	<u>Distributions</u>	<u>Adjustment</u>	<u>Total Cash</u>
Chaves Soil and Water Conservation District					
General	\$ 697,307	\$ 325,978	\$ (297,280)	\$ -	\$ 726,005
Loan	121,439	20,970	(36,885)	-	105,524
Total operating funds	818,746	346,948	(334,165)	-	831,529
Agency					
State Association SWCD health insurance	-	369,266	(371,400)	47,525	45,391
State Association SWCD AFLAC insurance	-	5,035	(4,599)	865	1,301
Total agency funds	-	374,301	(375,999)	48,390	46,692
Total Chaves Soil and Water Conservation District	<u>\$ 818,746</u>	<u>\$ 721,249</u>	<u>\$ (710,164)</u>	<u>\$ 48,390</u>	<u>\$ 878,221</u>

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>
Chaves Soil and Water Conservation District			
Cash			
Chaves SWCD general	Checking	Valley Bank of Commerce	\$ 67,755
Chaves SWCD noxious weed	Checking	Valley Bank of Commerce	209,771
Chaves SWCD noxious weed	Money Market	Valley Bank of Commerce	21,025
Chaves SWCD brush control	Checking	Pioneer Bank	53,764
Chaves SWCD	CD	Pioneer Bank	9,662
Chaves SWCD	CD	Pioneer Bank	180,240
Chaves SWCD	CD	James Polk Stone Community Bank	29,393
Chaves SWCD cost share	Checking	First American Bank	3,556
Chaves SWCD cost share	Money Market	First American Bank	92,314
Chaves SWCD cost share	CD	First American Bank	63,878
Chaves SWCD loan	Checking	Valley Bank of Commerce	63,714
Chaves SWCD loan	CD	Pioneer Bank	41,810
SWCD Insurance	Checking	Pioneer Bank	45,391
Chaves SWCD NMCDE-AFLAC	Checking	Pioneer Bank	1,301
Total bank balances			<u>\$ 883,574</u>
Total bank balances			\$ 883,574
Reconciling items - outstanding deposits			-
Reconciling items - outstanding checks			(5,353)
Total bank cash			878,221
			<u>\$ 878,221</u>
Reconciliation to financial statements			
Cash and cash equivalents			
Total cash and cash equivalents per statement of net position			\$ 831,529
Total cash and cash equivalents per statement of fiduciary assets and liabilities - agency funds			46,692
Total cash and cash equivalents			<u>\$ 878,221</u>

Compliance Section

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. Brian S. Colón
State Auditor of the State of New Mexico
Board of Supervisors
Chaves Soil and Water Conservation District
Roswell New Mexico

I 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 aggregate remaining fund information, 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated August 23, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit, of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instance 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 my 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.

Sandra Rush CPA PC

Sandra Rush CPA PC

Clovis, New Mexico

August 23, 2019

STATE OF NEW MEXICO
 CHAVES SOIL and WATER CONSERVATION DISTRICT
 Schedule of Findings and Responses
 June 30, 2019

Summary of Audit Results

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified No
- Significant deficiency(ies) identified that are not considered to be material weaknesses No
- Noncompliance material to financial statements noted No

Prior Year Findings:

2018-001	Inaccurate Pledged Securities	Resolved
2018-002	Overtime or Comp Time	Resolved
2018-003	W-4	Resolved

Current Year Findings:

None

Financial Statement Preparation

Although it would be preferred and desirable for the District to prepare its own GAAP-basis financial statements, it is felt that the District's personnel did not have the time to prepare them. Therefore, the outside auditor prepared the GAAP basis financial statements and footnotes for inclusion in the annual audit report from the original books and records provided to them by the management of the District. Management of the District has reviewed and approved these financial statements and related notes and believes they are adequately supported by the books and records of the government.

Exit Conference

The contents of this report were discussed with, Joy Wagner Administrative Assistance, John Sisk Vice Chairman and Sandra Rush, CPA, in an exit conference on August 23, 2019.

