

State of New Mexico
OFFICE OF THE STATE AUDITOR

STATE OF NEW MEXICO
CENTRAL VALLEY
SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2005

(With Independent Auditor's Report Thereon)



Domingo P. Martinez, CGFM
State Auditor

8008

STATE OF NEW MEXICO
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

TABLE OF CONTENTS
JUNE 30, 2005

INTRODUCTORY SECTION Exhibit Page

Table of Contents i

Official Roster ii

FINANCIAL SECTION

Independent Auditor's Report 1-2

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Assets 1 3

Statement of Activities 2 4

Fund Financial Statements:

Balance Sheet – Governmental Funds 3 5

Reconciliation of the Balance sheet to the Statement of Net Assets
Statement of Revenues, Expenditures and Changes 6

In Fund Balances – Governmental Funds 4 7

Reconciliation of the Statement of Activities to the Statement of
Revenues, Expenditures and Changes in Fund Balances 8

Statement of Revenues and Expenditures –
Budget and Actual (Non-GAAP Budgetary Basis) 5 9

– General 5 9

Notes to the Financial Statements 10

OTHER REPORTS

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* 18

Schedule of Findings and Recommendations

Exit Conference

RECEIVED
20

APR 24 2006

STATE AUDITOR

STATE OF NEW MEXICO
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
David Torres, Jr.	Chairperson
Lewis Dertick	Vice-Chairperson
Darrell Brown	Secretary/Treasurer
Steve Spence	Supervisor
Dean Lee	Supervisor
Kern Horner	Supervisor
Steve Haines	Supervisor

<u>District Personnel</u>	<u>Title</u>
Tammy Klein	District Manager



State of New Mexico

OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

Carl M. Baldwin, CPA, CFE
Deputy State Auditor

INDEPENDENT AUDITOR'S REPORT

Mr. David Torres, Jr., Chairperson
and Members of the Board of Supervisors
Central Valley Soil & Water Conservation District
3105 West Main Street
Artesia, New Mexico 88210-3105

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Central Valley Soil and Water Conservation District (District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District as of June 30, 2005, and the respective changes in financial position, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented the Management's Discussion and Analysis required by *GASB Statement No. 34* that the Governmental Accounting Standards Board has

2113 Warner Circle, Santa Fe, New Mexico 87505-5499
(505) 827-3500 (800) 432-5517 Fax (505) 827-3512
<http://www.saonm.org>

determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

Office of the State Auditor

OFFICE OF THE STATE AUDITOR

February 23, 2006

STATE OF NEW MEXICO
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
Assets	
Cash	\$ 176,895
Capital assets, net	486
Total assets	<u>177,381</u>
Liabilities	
Accounts payable	<u>2,354</u>
Total liabilities	<u>2,354</u>
Net Assets	
Invested in capital assets	486
Unrestricted	<u>174,541</u>
Total net assets	<u><u>\$ 175,027</u></u>

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

STATE OF NEW MEXICO
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Governmental Activities
Program Expenses:	
Conservation:	
Salaries	\$ 5,560
Per diem and travel	1,095
Office supplies	3,233
Meetings and workshops	624
Bonding	100
Public education	2,512
Information and education	950
Conservation projects	5,285
Building operations	197
Miscellaneous	342
Depreciation	243
	20,141
Program Revenues:	
State operating grants and contracts	3,976
Total program revenues	3,976
Net program (expense) revenue	(16,165)
General Revenues:	
NMDA allotment	8,309
Property taxes	22,183
Interest	1,353
Total general revenues	31,845
Change in net assets	15,680
Net assets at beginning of year	159,347
Net assets at end of year	\$ 175,027

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

STATE OF NEW MEXICO
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund
Assets	
Cash	\$ 176,895
Total assets	<u>\$ 176,895</u>
Liabilities and fund balance	
Liabilities:	
Accounts payable	\$ 2,354
Total liabilities	<u>2,354</u>
Fund balance:	
Unreserved, undesignated	<u>174,541</u>
Total fund balance	<u>174,541</u>
Total liabilities and fund balance	<u>\$ 176,895</u>

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

STATE OF NEW MEXICO
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Amounts reported for governmental activities in the Statement of Net Assets are different from the way they are reported in the Balance Sheet - Governmental Funds as follows:

Fund Balance - Balance Sheet (Exhibit 3)	\$ 174,541
Capital assets, net of accumulated depreciation	486

Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:

Notes payable	-
Compensated absences	-
	<hr/>
Net Assets - Statement of Net Assets (Exhibit 1)	<u>\$ 175,027</u>

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

STATE OF NEW MEXICO
 CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	General Fund
Revenues	
State allocation	\$ 8,309
Property taxes	22,183
Grants and contracts - state sources	3,976
Interest	1,353
Miscellaneous	-
Total revenues	35,821
Expenditures	
Conservation:	
Current:	
Salaries	5,560
Per diem and travel	1,095
Office supplies	3,233
Meetings and workshops	624
Bonding	100
Public education	2,512
Information and education	950
Conservation projects	5,285
Building operations	197
Miscellaneous	342
Total expenditures	19,898
Net change in fund balance	15,923
Fund balance beginning of year	158,618
Fund balance end of year	\$ 174,541

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

STATE OF NEW MEXICO
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF ACTIVITIES TO THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Net change in fund balance - Governmental Funds (Exhibit 4) \$ 15,923

Amounts reported in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful life of the asset and reported as depreciation expense as follows:

Capital outlay	-
Depreciation expense	<u>(243)</u>
Change in net assets - Statement of Activities (Exhibit 2)	<u><u>\$ 15,680</u></u>

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

STATE OF NEW MEXICO
 CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
State allocation	\$ 9,800	\$ 8,300	\$ 8,309	\$ 9
Property taxes	19,500	26,500	23,581	(2,919)
Grants and contracts - state sources	2,500	4,500	3,975	(525)
Interest	-	-	1,353	1,353
Miscellaneous - other reimbursements	500	100	-	(100)
Total revenues	<u>\$ 32,300</u>	<u>\$ 39,400</u>	<u>\$ 37,218</u>	<u>\$ (2,182)</u>
Expenditures				
Current:				
Salaries	\$ 10,000	\$ 7,500	\$ 4,994	\$ 2,506
Dues	2,500	2,500	-	2,500
Office supplies	3,500	3,400	3,070	330
Bonding	100	100	100	-
Election	100	100	-	100
Public Education	3,500	3,500	2,512	988
Annual awards	500	500	-	500
Travel and per diem	2,000	2,000	810	1,190
Meetings	700	700	624	76
Equipment	2,000	2,000	-	2,000
Advertising & legal	500	500	-	500
Office building expenses	-	-	-	-
Salt Cedar project	2,500	5,100	5,091	9
Miscellaneous	500	500	343	157
Total expenditures	<u>\$ 28,400</u>	<u>\$ 28,400</u>	<u>\$ 17,544</u>	<u>\$ 10,856</u>

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

STATE OF NEW MEXICO
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Central Valley 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 reporting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The District is required to implement GASB Statement No. 40, *Deposit and Investment Risk Disclosures* in fiscal year 2005. To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities,

STATE OF NEW MEXICO
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

which rely to a significant extent on fees and charges for support. However, the District does not have any 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) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and 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 statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if any, are recorded only when payment is due.

Property taxes 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:

STATE OF NEW MEXICO
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity, if applicable, has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Net Assets and Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be demand deposits and short term investments (certificates of deposit) with original maturities of six months from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, repurchase agreements, and certificates of deposit. Investments for the government, if applicable, are reported at fair value.

2. Receivables

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 Eddy and Chaves County Treasurers and are remitted to the District in the month following collection.

3. Capital Assets

Capital assets, which include property, equipment (including software), and (list other items as applicable) 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 \$1,000 and an estimated useful life of more than

STATE OF NEW MEXICO
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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. There was no infrastructure required to be capitalized and depreciated under GASB Statement No. 34.

Property and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

Farm equipment	5 years
Computer equipment	5 years

4. Accounts Payable

The District's accounts payable represent routine monthly bills for services rendered and products purchased which are paid in the following month.

5. Compensated Absences

As of June 30, 2005, the District does not have any formal vacation or sick leave because it does not have any employees.

6. Net Assets and Fund Balance

The difference between the District's assets and liabilities is its net assets. The District's net assets consist of two components – invested in capital assets, which is the cost of capital assets, net of accumulated depreciation and unrestricted net assets. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The District currently has no reservation of fund balance.

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

STATE OF NEW MEXICO
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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. Encumbrance accounting is not utilized by the District.

B. Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis Financial Statements

	General	Fund
Non-GAAP revenues (Exhibit 5)	\$	<u>37,218</u>
Prior year receivables		(1,397)
Current year receivables		-
GAAP revenues (Exhibit 4)	\$	<u><u>35,821</u></u>
Non-GAAP expenditures (Exhibit 5)	\$	17,544
Prior year payable		-
Current year payable		2,354
GAAP expenditures (Exhibit 4)	\$	<u><u>19,898</u></u>

III. Detailed Notes on all Funds

A. Cash

As of June 30, 2005, the District had a carrying amount of deposits of \$176,895. The bank balances for deposits were \$178,842. The difference between the

STATE OF NEW MEXICO
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

carrying amount and the bank balance of deposits is due to outstanding checks of \$1,945. The total bank balance of \$178,841 consisted of the following:

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. All of the District's demand deposits and time deposits were covered entirely by FDIC insurance.

First National Bank

Demand deposits	\$ 80,215
Less: FDIC coverage	<u>(80,215)</u>
Amount uninsured	<u>\$ -0-</u>

First National Bank

Certificates of Deposit	\$ 62,965
Less: FDIC coverage	<u>(62,965)</u>
Amount uninsured	<u>\$ -0-</u>

Western Bank

Certificates of Deposit	\$ 35,662
Less: FDIC coverage	<u>(35,662)</u>
Amount uninsured	<u>\$ -0-</u>

B. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

STATE OF NEW MEXICO
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Description	Balance		Deletions	Balance	
	30-Jun-04	Additions		30-Jun-05	(9,575)
Equipment	\$ 10,061	-	-	\$ 10,061	
Accumulated depreciation	(9,332)	(243)	-	(9,575)	
Capital assets, net	<u>\$ 729</u>	<u>(243)</u>	<u>-</u>	<u>\$ 486</u>	

Other Information

A. 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 \$1,050,000 for each wrongful act and \$1,050,000 for the policy aggregated. The District is required to obtain a corporate surety bond on behalf of persons responsible for District assets. The District currently maintains a \$5,000 surety bond as well as commercial property coverage. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

B. 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 this time, although the government expects such amounts, if any, to be immaterial.

In December 2005, the Penasco SWCD voted to change the titled owners of its building to add the Central Valley and Cottonwood districts as building owners. When this is done, Central Valley could assume a share of liability for operation and maintenance of the building.

STATE OF NEW MEXICO
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

C. Joint Powers Agreement – Pecos River Salt Cedar Control Project

During the 2002 session, the New Mexico State Legislature appropriated \$2.5 million to the New Mexico Department of Agriculture to remove salt cedar from the Pecos River Basin. As a result of this appropriation, a joint powers agreement was established for this project. The terms of the agreement are summarized as follows:

Date of agreement:	June 24, 2002
Participants:	New Mexico Association of Conservation Districts and the Carlsbad, Chaves, Central Valley, Hagerman-Dexter, DeBaca, Penasco, Guadalupe, Upper Hondo, and Tierra Y Montes Soil and Water Conservation Districts
Responsible party for operations:	Carlsbad Soil and Water Conservation District
Description:	Pecos River Salt Cedar Control Project
Beginning and ending date of agreement:	July 1, 2002 to June 30, 2005
Total estimated amount:	\$4,366,666
Amount expended to date:	\$3,920,862
Audit responsibility:	New Mexico State University, New Mexico Department of Agriculture
Fiscal agent:	Carlsbad Soil and Water Conservation District
The government agency where revenues and expenditures are reported:	New Mexico State University



State of New Mexico

OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

Carl M. Baldwin, CPA, CFE
Deputy State Auditor

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

Mr. David Torres, Jr., Chairperson
and Members of the Board of Supervisors
Central Valley Soil & Water Conservation District
3105 West Main Street
Artesia, New Mexico 88210-3105

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Central Valley Soil and Water Conservation District (District) as of and for the year ended June 30, 2005 and have issued our report dated February 23, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

2113 Warner Circle, Santa Fe, New Mexico 87505-5499
(505) 827-3500 (800) 432-5517 Fax (505) 827-3512
<http://www.gsaonm.org>

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the New Mexico Office of the State Auditor, the New Mexico State University - Department of Agriculture, the state legislature and grantors and is not intended to be and should not be used by anyone other than these specified parties.

Office of the State Auditor

OFFICE OF THE STATE AUDITOR

February 23, 2006

STATE OF NEW MEXICO
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2005

STATUS OF PRIOR YEAR AUDIT FINDINGS

04-1 – Inaccurate Voucher - Resolved

CURRENT YEAR AUDIT FINDINGS

None

Financial Statement Preparation

The accompanying financial statements were prepared by the Office of the State Auditor. However, the contents remain the responsibility of the District.

Exit Conference

On February 23, 2006, an exit conference was held at the District Office with Mr. David Torres, Jr., Chairman, and Ms. Tammy Klein, District Manager of the Central Valley Soil and Water Conservation District. Representing the Office of the State Auditor was Joyce Sandoval, Audit Supervisor.