

**STATE OF NEW MEXICO**

**CENTRAL VALLEY**

**SOIL AND WATER CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS**

**Fiscal Year Ended June 30, 2006**

**(With Independent Auditor's Report Thereon)**

STATE OF NEW MEXICO  
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

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JUNE 30, 2006

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STATE OF NEW MEXICO  
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER  
JUNE 30, 2006

<u>Board of Supervisors</u>	<u>Position</u>
David Torres, Jr.	Chairperson
Lewis Derrick	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



# OFFICE OF THE STATE AUDITOR

Hector H. Balderas

## 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, 2006, 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, 2006, 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

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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 April 13, 2007 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

April 13, 2007

STATE OF NEW MEXICO  
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

Exhibit 1

	Governmental Activities
<b>Assets</b>	
Cash	\$ 185,721
Property taxes receivable	8,688
Accounts receivable	8,949
Capital assets, net	243
<b>Total assets</b>	<b>203,601</b>
<b>Liabilities</b>	
Accounts payable	1,410
Loan payable - current	2,397
Loan payable - non-current	6,103
<b>Total liabilities</b>	<b>9,910</b>
<b>Net Assets</b>	
Invested in capital assets	243
Unrestricted	193,448
<b>Total net assets</b>	<b>\$ 193,691</b>

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, 2006

Exhibit 2

	Governmental Activities
<b>Program Expenses:</b>	
Conservation:	
Salaries	\$ 8,297
Per diem and travel	1,402
Contract services	2,560
Office supplies	10,238
Meetings and workshops	60
Election	66
Bonding	200
Dues	1,350
Public education	3,207
Information and education	-
Conservation projects	5,967
Building operations	216
Miscellaneous	348
Depreciation	243
Total program expenses	34,154
<b>Program Revenues:</b>	
State operating grants and contracts	-
Total program revenues	-
Net program (expense) revenue	(34,154)
<b>General Revenues:</b>	
NMDA allotment	8,949
Property taxes	41,409
Interest	2,460
Total general revenues	52,818
Change in net assets	18,664
Net assets at beginning of year	175,027
Net assets at end of year	\$ 193,691

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, 2006

Exhibit 3

	General Fund
<b>Assets</b>	
Cash	\$ 185,721
Property taxes receivable	8,688
Accounts receivable	8,949
Total assets	\$ 203,358
<b>Liabilities and fund balance</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 1,410
Total liabilities	1,410
<b>Fund balance:</b>	
Unreserved, undesignated	201,948
Total fund balance	201,948
Total liabilities and fund balance	\$ 203,358

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 - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006

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) \$ 201,948

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

Capital assets, net of accumulated depreciation 243

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

Notes payable (8,500)

Net Assets - Statement of Net Assets (Exhibit 1) \$ 193,691

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, 2006

	<u>General Fund</u>
<b>Revenues</b>	
State allocation	\$ 8,949
Property taxes	41,409
Interest	2,460
	<u>52,818</u>
<b>Total revenues</b>	
<b>Expenditures</b>	
Conservation:	
Current:	
Salaries	8,297
Contractual services	2,560
Per diem and travel	1,402
Office supplies	10,238
Meetings and workshops	60
Election	66
Bonding	200
Public education	3,207
Dues	1,350
Information and education	-
Conservation projects	5,967
Building operations	216
Miscellaneous	348
	<u>33,911</u>
<b>Total expenditures</b>	
Net change in fund balance	18,907
Other financing sources:	
Loan proceeds	8,500
	<u>174,541</u>
Fund balance beginning of year	
	<u>\$ 201,948</u>
Fund balance end of year	

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 - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net change in fund balance - Governmental Funds (Exhibit 4)           \$   18,907

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>\$   18,664</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, 2006

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
State allocation	\$ 9,800	\$ 8,500	\$ -	\$ (8,500)
Property taxes	19,500	37,000	32,721	(4,279)
Grants and contracts - state sources	2,500	7,500	-	(7,500)
Interest	-	-	2,460	2,460
Miscellaneous - other reimbursements	500	8,500	8,500	-
<b>Total revenues</b>	<u>\$ 32,300</u>	<u>\$ 61,500</u>	<u>\$ 43,681</u>	<u>\$ (17,819)</u>
<b>Expenditures</b>				
Current:				
Salaries	\$ 10,000	\$ 8,500	\$ 7,998	\$ 502
Contractual services	-	3,500	2,560	940
Dues	2,500	1,500	1,350	150
Office supplies	3,500	15,000	10,401	4,599
Bonding	100	200	200	-
Election	100	100	66	34
Public Education	3,500	4,500	4,136	364
Annual awards	500	500	21	479
Travel and per diem	2,000	2,000	1,582	418
Meetings	700	700	60	640
Equipment	2,000	50	-	50
Advertising & legal	500	50	-	50
Office building expenses	-	-	-	-
Salt Cedar project	2,500	7,500	6,161	1,339
Miscellaneous	500	500	320	180
<b>Total expenditures</b>	<u>\$ 28,400</u>	<u>\$ 44,600</u>	<u>\$ 34,855</u>	<u>\$ 9,745</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, 2006

**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). To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, the District does not have any fiduciary or business-type activities.

STATE OF NEW MEXICO  
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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. Other 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, 2006

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 consist of 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 and equipment (including software), 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

STATE OF NEW MEXICO  
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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 and received in the fiscal year but not paid for until after fiscal year end.

5. Compensated Absences

As of June 30, 2006, the District does not have any formal vacation or sick leave policy because it does not have any employees.

6. Loan Payable

The District obtained a loan for \$8,500 from the Cottonwood Walnut Creek Watershed District to develop a Grid Spraying Machine for Brush Control with New Mexico State University.

7. 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 three components – invested in capital assets, which is the cost of capital assets, net of accumulated depreciation, unrestricted net assets, and restricted net assets- wherein the constraints are placed on net asset use either by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other government or imposed by law through constitutional provisions or enabling legislation. 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



STATE OF NEW MEXICO  
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

purpose. The District currently has no restricted net assets or fund balance reservations.

**II. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

The budget is prepared on a basis that differs from accounting principles generally accepted in the United States of America (GAAP). GAAP basis revenues and expenditures include accrued amounts. The revenues and expenditures reported in the budgetary comparisons are generally recorded on the cash basis. The District uses the following procedures to establish the budgeted amounts reflected in the budgetary comparisons:

1. Prior to April 1, the Budget Committee submits to the District Board of Supervisors a proposed revenue and expenditure budget for the fiscal year beginning July 1.
2. The Board reviews the budget proposal and makes any necessary adjustments.
3. Prior to June 1, the Board approves the budget by passing a resolution.
4. Prior to June 20, the approved budget is submitted to the State of New Mexico, Department of Finance and Administration, Local Government Division (DFA-LGD) for approval by the first Monday of September. The Board receives notice of the approved budget.

The legal level at which actual expenditures may not exceed budgeted expenditures is at the total fund level. The Board can revise its budget with the approval of DFA-LGD. Encumbrance accounting is not utilized by the District.

STATE OF NEW MEXICO  
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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

		General Fund
Non-GAAP revenues (Exhibit 5)	\$	43,681
Loan proceeds		(8,500)
Current year receivables		17,637
GAAP revenues (Exhibit 4)	\$	<u>52,818</u>
Non-GAAP expenditures (Exhibit 5)	\$	34,855
Prior year payable		(2,354)
Current year payable		1,410
GAAP expenditures (Exhibit 4)	\$	<u>33,911</u>

**III. Detailed Notes on all Funds**

**A. Cash and Cash Equivalent**

As of June 30, 2006, the District had a carrying amount of deposits of \$185,721. The bank balances for deposits were \$179,996. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$2,775 and a deposit in transit of \$8,500. The total bank balance of \$179,996 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	\$	78,911
Less: FDIC coverage		(78,911)
Amount uninsured	\$	<u>-0-</u>

STATE OF NEW MEXICO  
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

<u>First National Bank</u>	
Certificates of Deposit	\$ 64,576
Less: FDIC coverage	<u>(64,576)</u>
Amount uninsured	<u>\$ -0-</u>
 <u>Western Bank</u>	
Certificates of Deposit	\$ 36,509
Less: FDIC coverage	<u>(36,509)</u>
Amount uninsured	<u>\$ -0-</u>

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance 30-Jun-05	Additions	Deletions	Balance 30-Jun-06
<u>Governmental Activities</u>				
Farm equipment	\$ 4,500	\$ -	\$ -	\$ 4,500
Computer equipment	5,561	-	-	5,561
Totals at historical cost	<u>10,061</u>			<u>10,061</u>
Less accumulated depreciation for:				
Farm equipment	4,500	-	-	4,500
Computer equipment	5,075	(243)	-	5,318
Total accumulated depreciation	<u>(9,575)</u>	<u>(243)</u>	-	<u>(9,818)</u>
Total Capital Assets, Net	\$ 486	\$ (243)	\$ -	\$ 243

**C. Long-Term Debt**

Note Payable

The District entered into a loan agreement for \$8,500 on June 30, 2006 with Cottonwood Walnut Creek Watershed District to finance the costs of developing a Grid Spraying Machine for Brush Control with the New Mexico State University. The interest rate of the loan is five percent. The following are the debt service requirements to maturity for this loan:

STATE OF NEW MEXICO  
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

Changes in Long-term Liabilities

	Beginning Balance 6/30/2005	Additions	Deletions	Ending Balance 6/30/2006	Due Within One Year
Cottonwood	\$ -	\$ 8,500	\$ -	\$ 8,500	\$ 2,397
Loan	\$ -	\$ 8,500	\$ -	\$ 8,500	\$ 2,397

**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 \$10,000 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.

STATE OF NEW MEXICO  
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**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.

**C. Related Party Transactions**

The District Manager's daughter and son performed services with the Salt Cedar Project and received \$1,081 and \$3,660 for their services respectively.

**D. 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:	\$4,506,666
Amount expended to date:	\$4,356,168
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



# **OFFICE OF THE STATE AUDITOR**

**Hector H. Balderas**

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, 2006 and have issued our report dated April 13, 2007. 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as items 06-1 and 06-2.

A material weakness is a reportable 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 error 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

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period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is not considered to be material weaknesses

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 06-1 and 06-2.

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, New Mexico Department of Finance and Administration, 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

April 13, 2007

STATE OF NEW MEXICO  
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2006

STATUS OF PRIOR YEAR AUDIT FINDINGS

None.

CURRENT YEAR AUDIT FINDINGS

**06-1. Untimely Deposits**

Condition

During our test work, we were unable to determine whether cash receipts were deposited in a timely manner since the District does not date stamp supporting transmittals or stubs.

Criteria

Per Section 6-10-3 NMSA 1978, it is required that a local public body deposit all cash receipts within a 24-hour period after such deposits have been received by the local public body.

Effect

Funds that are not deposited in a timely manner are subject to loss or misappropriation.

Cause

The District was not aware of the State law.

Recommendation

When the District receives checks for different purposes the check stub should be date stamped when received and retained after the check is deposited for audit purposes. The District needs to deposit of all funds within 24 hours of receipt as required by State law.



STATE OF NEW MEXICO  
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2006

District's Response

The District does not receive a check every month for the mill levy proceeds, but does feel the deposits are made soon after receiving them. The counties that we collect from in the past only sent a check for the amount collected. We did not make a copy of this check, but since the time of the audit, both counties are submitting checks with either a stub or transmittal notice. These are being marked on the date received which will help to track if the deposits are made in a timely manner.

**06-2. Inadequate Supporting Documentation for Expenditures**

Condition

During our audit of expenditures, we noted the following:

- Four checks totaling \$400 did not have any supporting documentation.
- Two travel reimbursements totaling \$386 did not have receipts for the lodging charges reimbursed.
- The mileage reimbursement rate cannot be verified due to the lack of documentation.

Criteria

Good accounting practice requires that all expenditures have supporting documents and proper authorization with the date it was authorized. Per state law, Section 6-5-8 NMSA 1978, "all purchase vouchers for goods and services shall be accompanied by supporting invoices and documentation." Also, Department of Finance and Administration (DFA) Rule 2.42.2 NMAC establishes travel and per diem regulations pursuant to 10-8-1 through 10-8-7 sections of New Mexico Statutes Annotated 1978 (NMSA) which requires details of travel for which travel and mileage reimbursements are made.

Effect

The District could be paying for unallowable expenses if adequate documentation is not provided.

STATE OF NEW MEXICO  
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2006

Cause

- The persons who were paid to move the office furniture during the renovation did not provide invoices.
- The lodging receipts were not provided due to inadequate oversight.
- The mileage rate was proposed by the legislature to be raised, however the bill was not signed by the governor.

Recommendation

The District should implement policies and procedures to ensure that every expenditure is authorized, dated and has supporting documents, such as invoices or receipts for expenses attached to the vouchers.. The mileage reimbursements should be supported by documenting the time, date, vehicle information, distance and purpose of travel.

District's Response

Every effort is being made to obtain an invoice for the items to be paid or other such documentation. The District will make sure that every purchase voucher has attached supporting documentation in the future. The mileage rate being paid by the District is \$0.32 per mile which reflects the travel regulations. Travel vouchers will be filled out properly by board and staff for all future payments.

STATE OF NEW MEXICO  
CENTRAL VALLEY SOIL AND WATER CONSERVATION DISTRICT

EXIT CONFERENCE  
JUNE 30, 2006

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 April 18, 2007, an exit conference was held at the District Office with Mr. Steve Haines, District Supervisor, 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.