



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

STATE OF NEW MEXICO

GUADALUPE

SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2006

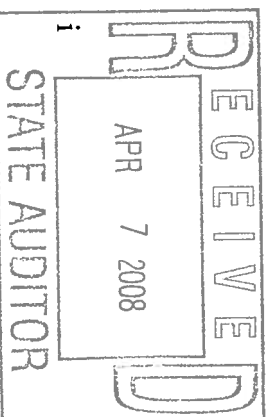
(With Independent Auditor's Report Thereon)

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STATE OF NEW MEXICO
 GUADALUPE SOIL AND WATER CONSERVATION DISTRICT

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 JUNE 30, 2006

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STATE OF NEW MEXICO
GUADALUPE SOIL AND WATER CONSERVATION DISTRICT

OFFICAL ROSTER
JUNE 30, 2006

<u>Board of Supervisors</u>	<u>Position</u>
Albert Perez	Chairperson
M. Dominic Perez	Vice-Chairperson
Charles Serrano	Secretary/Treasurer
Alfredo Flores	Supervisor
Secundino Rivera	Supervisor
<u>District Personnel</u>	<u>Title</u>
DeLores Noe	District Clerk



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

INDEPENDENT AUDITOR'S REPORT

Mr. Albert Perez, Chair
and Members of the Board of Supervisors
Guadalupe Soil and Water Conservation District
586 South Ninth Street
Santa Rosa, New Mexico 88435

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Guadalupe 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 major 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 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 March 1, 2007 on our consideration of the District's internal control over financial

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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

March 1, 2007

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

Exhibit 1

	Governmental Activities
Assets	
Cash	\$ 73,206
Property taxes receivable	9,141
Interest receivable	198
Capital assets, net	7,152
Total assets	\$ 89,697
Liabilities	
Accounts payable	\$ 178
Total liabilities	178
Net Assets	
Invested in capital assets	7,152
Unrestricted	82,367
Total net assets	\$ 89,519

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

STATE OF NEW MEXICO
 GUADALUPE SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Exhibit 2

	Governmental Activities
Program Expenses:	
Conservation:	
Project Expenses	\$ 4,690
Election Expense	458
Information and Education	2,496
Conservation Material	2,038
Contract Services	5,087
Supervisor Meeting Expense	6,840
Office Expense	507
Advertising	63
Per Diem & Travel	4,618
Meeting Expense	1,212
Bond	100
Dues	780
Capital Outlay Expense	47
Depreciation	247
Total program expenses	29,183
Program Revenues:	
Charges for Services - Conservation material	2,175
Total program revenues	2,175
Net program (expense) revenue	(27,008)
General Revenues:	
NMDA allotment	8,452
Property taxes	23,619
Interest	1,111
Total general revenues	33,182
Change in net assets	6,174
Net assets at beginning of year	83,345
Net assets at end of year	\$ 89,519

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

STATE OF NEW MEXICO
 GUADALUPE SOIL AND WATER CONSERVATION DISTRICT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2006

Exhibit 3

	General Fund
Assets	
Cash	\$ 73,206
Property taxes receivable	9,141
Interest receivable	198
Total assets	\$ 82,545
Liabilities and fund balance	
Liabilities:	
Accounts payable	\$ 178
Total liabilities	178
Fund balance:	
Unreserved, undesignated	82,367
Total fund balance	82,367
Total liabilities and fund balance	\$ 82,545

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

STATE OF NEW MEXICO
 GUADALUPE SOIL AND WATER CONSERVATION DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
 THE STATEMENT OF NET ASSETS
 FOR THE FISCAL YEAR ENDED 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) \$ 82,367

When capital assets that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the government as a whole.

Capital assets, net of accumulated depreciation 7,152

Net Assets - Statement of Net Assets (Exhibit 1) \$ 89,519

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

STATE OF NEW MEXICO
 GUADALUPE 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>
Revenues	
NMDA allocation	\$ 8,452
Property Taxes	23,619
Conservation material sales	2,175
Interest	1,111
Total revenues	35,357
Expenditures	
Conservation:	
Current:	
Project Expenses	4,690
Election Expense	458
Information and Education	2,496
Conservation Material	2,038
Contract Services	5,087
Supervisor Meeting Expense	6,840
Office Expense	507
Advertising	63
Per Diem & Travel	4,618
Meeting Expense	1,212
Bond	100
Dues	780
Capital Outlay	7,446
Total Expenditures	36,335
Net change in fund balance	(978)
Fund balance beginning of year	83,345
Fund balance end of year	\$ 82,367

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

STATE OF NEW MEXICO
GUADALUPE SOIL & 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) \$ (978)

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	7,398
Depreciation expense	<u>(246)</u>
Change in net assets - Statement of Activities (Exhibit 2)	<u><u>\$ 6,174</u></u>

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

STATE OF NEW MEXICO
 GUADALUPE 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	
Revenues				
State allocation	\$ 8,500	\$ 8,500	\$ 8,452	\$ (48)
Property Taxes	26,000	26,000	16,943	(9,057)
Project Reimbursements	10,000	-	510	510
Conservation Material	3,000	3,000	2,175	(825)
Interest	100	100	1,034	934
Total revenues	<u>47,600</u>	<u>37,600</u>	<u>\$ 29,114</u>	<u>\$ (8,486)</u>
Cash balance budgeted	23,200	33,800		
Total revenues and cash	<u>\$ 70,800</u>	<u>\$ 71,400</u>		
Expenditures				
Project Expenses	\$ 10,000	\$ 10,000	\$ 5,083	\$ 4,917
Demonstration Project	10,000	10,000	-	10,000
Information and Education	4,000	4,000	2,336	1,664
Conservation Material	10,000	10,000	2,038	7,962
Contract Services	6,000	6,000	5,087	913
Supervisor Meeting Expense	8,000	8,000	6,840	1,160
Office Expense	600	600	517	83
Election Expense	-	600	458	142
Advertising	500	500	63	437
Per Diem & Travel	8,000	8,000	4,618	3,382
Meeting Expense	2,000	2,000	1,212	788
Bond	200	200	100	100
Dues	1,500	1,500	780	720
Capital Outlay	10,000	10,000	7,446	2,554
Total expenditures	<u>\$ 70,800</u>	<u>\$ 71,400</u>	<u>\$ 36,578</u>	<u>\$ 34,822</u>

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

STATE OF NEW MEXICO
GUADALUPE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Guadalupe 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, two 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 conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The District, a phase three government, was required to implement GASB Statement 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* in fiscal year 2004. 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 non-fiduciary 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
GUADALUPE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

which rely to a 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) charges to customers for conservation material. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds.

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.

STATE OF NEW MEXICO
GUADALUPE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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.

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, and Net Assets or Fund Balance

1. Cash.

The District's cash is held in a demand deposit and savings account.

2. Capital Assets

Capital assets, which include computer equipment, 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 amount spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the District 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.

STATE OF NEW MEXICO
GUADALUPE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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

Equipment	5 years
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3. Receivables and Payables

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 Guadalupe County Treasurer and are remitted to the District in the month following collection.

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. The budget was revised for several line items as shown on exhibit 4. Encumbrance accounting is not utilized by the District.

STATE OF NEW MEXICO
 GUADALUPE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2006

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

	General Fund
Non-GAAP revenues (Exhibit 5)	\$ 29,114
Current year receivables	9,339
Prior year receivables	(3,096)
GAAP revenues (Exhibit 4)	<u>\$ 35,357</u>
Non-GAAP expenditures (Exhibit 5)	\$ 36,578
Current Accounts Payable	178
Prior year Accounts Payable	(421)
GAAP expenditures (Exhibit 4)	<u>\$ 36,335</u>

III. Detailed Notes on all Funds

A. Deposits and Investments

As of June 30, 2005, the District had a carrying amount of deposits of \$73,206. The bank balances for deposits were \$75,318. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of \$2,112. All amounts are on deposit at Wells Fargo and are fully insured by the FDIC.

Wells Fargo

Basic Business Checking		\$ 25,318
Business premium rate public funds		<u>50,000</u>
		75,318
Less: FDIC coverage		<u>(75,318)</u>
Amount uninsured		<u>\$ -0-</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2006 none of the District's bank balance was exposed to custodial credit risk.

STATE OF NEW MEXICO
GUADALUPE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

B. Capital Assets

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

	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
<u>Governmental Activities</u>				
Assets being depreciated:				
Equipment	\$ -	\$ 7,398	\$ -	\$ 7,398
Totals at historical cost	-	7,398	-	7,398
Less accumulated depreciation for:				
Equipment	-	246	-	246
Total accumulated depreciation	-	(246)	-	(246)
Total Capital Assets, Net	<u>\$ -</u>	<u>\$ 7,152</u>	<u>\$ -</u>	<u>\$ 7,152</u>

C. Receivables

Receivables consist of the following and are fully collectible:

Property taxes receivable	\$9,141
Interest receivable	<u>198</u>
	<u>\$ 9,339</u>

IV. Other Information

A. Employee Retirement Benefits

The District does not offer a pension plan, deferred compensation plan, or post-employment benefits.

B. Risk Management

The District is exposed to various risks of loss due to torts, theft or damage of assets, errors and omissions and natural disasters. The District's supervisors and employees are covered by an errors and omissions liability policy purchased by the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,000,000 for each wrongful act and \$1,000,000 for the policy aggregated. The District is required to obtain a corporate surety bond on behalf of persons responsible for District assets. The District currently maintains a \$7,500 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.



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. Albert Perez, Chair
and Members of the Board of Supervisors
Guadalupe Soil and Water Conservation District
586 South 9th street
Santa Rosa, New Mexico 88435

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparisons of the Guadalupe Soil and Water Conservation District (District) as of and for the year ended June 30, 2006 and have issued our report dated March 1, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 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.

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

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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, 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

March 1, 2007

STATE OF NEW MEXICO
GUADALUPE SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2006

PRIOR YEAR AUDIT FINDINGS

NONE

CURRENT YEAR AUDIT FINDINGS

NONE

STATE OF NEW MEXICO
GUADALUPE 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 March 1, 2007, an exit conference was held at the District Office with DeLores Noe, District Clerk, Charles Serrano, Secretary/Treasurer and Alfredo Flores, Board Member of the Guadalupe Soil and Water Conservation District. Representing the Office of the State Auditor was Blanca Trujillo, Senior Auditor and Stephanie Manzanares, Senior Auditor. The results of the audit were discussed.