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**State of New Mexico**  
**OFFICE OF THE STATE AUDITOR**

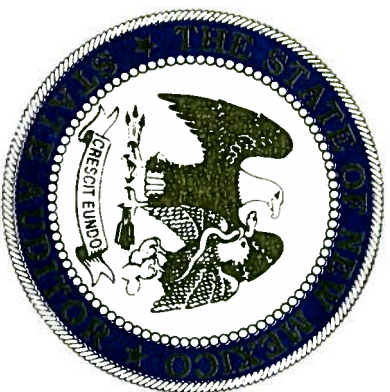
STATE OF NEW MEXICO

VALENCIA

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**

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STATE OF NEW MEXICO  
VALENCIA SOIL AND WATER CONSERVATION DISTRICT  
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JUNE 30, 2005

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STATE OF NEW MEXICO  
VALENCIA SOIL AND WATER CONSERVATION DISTRICT  
OFFICIAL ROSTER  
JUNE 30, 2005

<u>Board of Supervisors</u>	<u>Position</u>
Dale Jones	Chairperson
Vacant	Vice-Chairperson
Marcel Reynolds	Treasurer
Charlie Sanchez Jr.	Supervisor
Carl Hullinger	Supervisor
Daniel M. Sachs	Supervisor
Joseph Moya	Supervisor
<u>District Personnel</u>	<u>Title</u>
Madeline Miller	Administrative Assistant

*Jim Davis*

*Vice Chair*

*Chair*

*Chair*



# 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. Dale Jones, Chair  
and Members of the Board of Supervisors  
Valencia Soil and Water Conservation District  
P.O. Box 68  
Los Lunas, New Mexico 87031

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Valencia 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 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 24, 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  
March 24, 2006

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

	Governmental Activities
<b>Assets</b>	
Cash	\$ 77,375
Accounts receivable	25,911
Capital assets, net	1,006,000
Total assets	1,109,286
<b>Liabilities</b>	
Accounts payable	726
Accrued payroll	720
Total liabilities	1,446
<b>Net Assets</b>	
Invested in capital assets	1,006,000
Restricted for conservation projects	71,039
Unrestricted	30,801
Total net assets	\$ 1,107,840

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

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

		<u>Governmental</u>
		<u>Activities</u>
<b>Program Expenses:</b>		
Conservation:		
Administrative assistant salary	\$ 10,480	
District portion of health insurance	2,332	
Employment taxes	1,501	
Supplies	596	
Telephone	1,076	
Postage	136	
Annual meeting	120	
Legal notices	544	
Dues	550	
Insurance Bond	490	
Travel reimbursements	120	
Awards	1,000	
USFWS maintenance drain ditch project	19,385	
NM G&F ditch restoration	5,629	
ATV repair & maintenance	292	
NMDA (match for CFRP grant)	10,400	
Noxious weed - BLM	100	
NMACD Upper Rio Grande Salt Cedar Project	4,094	
Whitfield utilities and taxes	2,584	
CFRP-USFS project costs	29,696	
Los Chavez Drain (Phase II)	470	
Special projects SBF	2,500	
Total program expenses	94,095	
<b>Program Revenues:</b>		
Federal operating grants and contracts	98,781	
State operating grants and contracts	20,593	
County operating grants and contracts	10,104	
Total program revenues	129,478	
Net program (expense) revenue	35,383	
<b>General Revenues:</b>		
State allotment	9,775	
Donations	5,000	
Miscellaneous	19	
Interest	1,210	
Total general revenues	16,004	
Change in net assets	51,387	
Net assets at beginning of year	1,056,453	
Net assets at end of year	\$ 1,107,840	

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

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

	General Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 77,375
Accounts receivable	25,911
Total assets	\$ 103,286
<b>Liabilities and fund balance</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 726
Accrued payroll	720
Total liabilities	1,446
<b>Fund balance:</b>	
Unreserved, undesignated	101,840
Total fund balance	101,840
Total liabilities and fund balance	\$ 103,286

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



STATE OF NEW MEXICO  
VALENCIA SOIL AND WATER CONSERVATION DISTRICT  
FINANCIAL STATEMENT RECONCILIATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS:

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)	\$ 101,840
Capital assets, net of accumulated depreciation	<u>1,006,000</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 1,107,840</u></u>

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

	<u>General Fund</u>
<b>Revenues</b>	
Valencia County allotments	\$ 10,000 ✓
State allotment	9,775 ✓
Interest	1,210 ✓
NMDA (Match for CFRP grant)	60,000 - 10,400
CFRP grant	29,696 ✓
USFWS grant - ditch restoration	19,386 ✓
NM Game and Fish grant	5,628 ✓
Los Chavez Drain (Phase II) grant	574 - 470
NMACD grant	4,094 -
BLM noxious weed grant	100 -
Donations - SB Foundation	5,000 - 2500
Miscellaneous	19 ✓
<b>Total revenues</b>	<b>145,482</b>
<b>Expenditures</b>	
<b>Conservation:</b>	
Current:	
Administrative Assistant salary	10,480
District portion of health insurance	2,332
Taxes (Social Security & Medicare)	1,366
Department of Labor taxes	136
Supplies	596
Telephone	1,076
Postage	136
Annual meeting	120
Legal notices	544
Dues	550
Insurance Bond	490
Travel reimbursements	120
Awards	1,000
USFWS Maintenance drain ditch project	19,384
NM G&F Ditch restoration	5,629
ATV repair & maintenance	292
NMDA (Match for CFRP grant)	10,400
Noxious weed - BLM	100
NMACD Upper Rio Grande Salt Cedar Project	4,094
Whitfield utilities and taxes	2,584
CFRP-USFS project costs	29,696
Los Chavez Drain (Phase II)	470
Special projects SBF	2,500
<b>Total expenditures</b>	<b>94,095 ✓</b>
<b>Net change in fund balance</b>	<b>51,387</b>
<b>Fund balance beginning of year</b>	<b>50,453 ✓</b>
<b>Fund balance end of year</b>	<b>\$ 101,840</b>

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

STATE OF NEW MEXICO  
 VALENCIA 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			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Valencia County allotments	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
State appropriation	10,000	9,775	9,775	0
Salt Cedar administration	10,400	10,400	1,288	(9,112)
Interest	1,339	1,339	1,210	(129)
NMDA (Match for CFRP grant)	30,000	30,000	10,400	(19,600)
CFRP grant	120,000	120,000	28,798	(91,202)
NM Game and Fish grant	5,200	5,200	-	(5,200)
Los Chavez Drain (Phase II) grant	-	-	470	470
NMACD grant	-	-	4,094	4,094
BLM noxious weed grant	-	-	100	100
Miscellaneous	-	-	19	19
Donations - SB Foundation	-	-	2,500	2,500
<b>Total revenues</b>	<u>\$ 186,939</u>	<u>\$ 186,714</u>	<u>\$ 68,654</u>	<u>\$ (118,060)</u>
<b>Expenditures</b>				
Current:				
Administrative Assistant salary	\$ 20,800	\$ 20,800	\$ 20,800	\$ -
District portion of health insurance	2,323	2,323	2,332	(9)
Taxes (Social Security and Medicare)	1,600	1,600	735	865
Department of Labor taxes	30	30	111	(81)
Supplies	500	500	596	(96)
Telephone	800	800	1,076	(276)
Postage	300	300	136	164
Annual meeting	-	-	120	(120)
Legal notices	500	511	544	(33)
Dues	550	550	550	-
Insurance Bond	500	500	490	10
Travel reimbursements	-	-	120	(120)
Awards	1,000	1,000	1,000	-
USFWS Maintenance drain ditch project	-	-	19,385	(19,385)
NM G&F ditch restoration	-	-	5,629	(5,629)
ATV repair & maintenance	236	-	292	(292)
NMDA (Match for CFRP grant)	-	-	-	-
Noxious weed - BLM	-	-	100	(100)
NMACD Upper Rio Grande Salt Cedar Project	-	-	4,094	(4,094)
Whitfield utilities and taxes	2,600	2,600	2,584	16
CFRP-USFS project costs	155,200	155,200	29,688	125,512
Los Chavez drain project (Phase II)	-	-	470	(470)
Special projects SBF	-	-	2,500	(2,500)
<b>Total expenditures</b>	<u>\$ 186,939</u>	<u>\$ 186,714</u>	<u>\$ 93,352</u>	<u>\$ 93,362</u>

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

STATE OF NEW MEXICO  
VALENCIA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Valencia Soil and Water Conservation District (District) is organized under the provisions of the Soil and Water Conservation District Act (73-20-25 through 73-20-49 NMSA 1978). The District is a governmental subdivision of the state, a public body corporate and politic, organized for control and prevention of flood, sediment, and soil erosion damage, and to further the conservation, development and beneficial use of water and soil resources. The governing body of the District consists of five elected supervisors, four of whom must be landowners in the District. Two additional supervisors may be appointed to the District board. Supervisors serve a term of three years and continue in office until a successor is elected or appointed.

The financial reporting entity as defined by GASB 14 consists of the primary government, organizations for which the primary government is financially accountable, and other organizations whose exclusion from the financial reporting entity would cause the financial statements to be misleading.

A primary government is any state government or general-purpose local government and the organizations comprising its legal entity. Although the District is organized as a subdivision of the State and administratively attached to the New Mexico State University, Department of Agriculture, the statutory powers of the District establish it as a primary government with a separate corporate and legal identity. The District has no component units, financially dependent affiliates, nor is it legally liable for actions of other agencies.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The District, a phase three government, was acquired 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 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  
VALENCIA 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 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 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. 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.

Grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

STATE OF NEW MEXICO  
VALENCIA 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 (a certificate of deposit) with an original maturity 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. Accounts Receivable

Accounts receivable of \$25,911 is for amounts owed to the District under United States Forest Service and New Mexico Game and Fish grants and contracts. The entire amount is considered to be fully collectible.

3. Accounts Payable

Accounts payable consist primarily of payroll taxes due for the current period, a nominal amount due for supplies, and payroll expense owed at the end of the year that had not yet been paid.

STATE OF NEW MEXICO  
VALENCIA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

4. 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 \$1,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized. The District has no infrastructure that is required to be capitalized and depreciated under GASB Statement 34.

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

Buildings	39 years
Building improvements	20 years
Vehicles	5 years
Office equipment	5 years
Farm equipment	7 years
Computer equipment	5 years
Computer software	5 years

5. Compensated Absences

As of June 30, 2005, the District employee does not earn any annual vacation or sick leave.

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 which totaled \$1,006,000; net assets restricted for conservation project use which totaled \$71,039; and unrestricted net assets totaling \$30,801. 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.

STATE OF NEW MEXICO  
VALENCIA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

**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  
 VALENCIA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2005

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

	General Fund
Non-GAAP revenues (Exhibit 5)	\$ 68,654
Prior year receivables	(1,288)
Current year receivables	25,912
Current year deferred revenue	52,204
GAAP revenues (Exhibit 4)	<u>\$ 145,482</u>
Non-GAAP expenditures (Exhibit 5)	\$ 93,352
Prior year accounts payable	(703)
Current year accounts payable	1,446
GAAP expenditures (Exhibit 4)	<u>\$ 94,095</u>

**III. Detailed Notes on all Funds**

**A. Cash**

As of June 30, 2005, the District had a carrying amount of deposits of \$77,375. The bank balances for deposits were \$78,286. The differences between the carrying amount and the bank balance of deposits are due to outstanding checks of \$971 and a credit of \$60 from bank. The total bank balance of \$78,286 consisted of the following:

<u>Wells Fargo Bank</u>	
Demand deposits	\$ 29,362
Less: FDIC coverage	(29,362)
Amount uninsured	<u>\$ -0-</u>
<u>The First State Bank</u>	
Demand deposits	\$ 16,039
Less: FDIC coverage	(16,039)
Amount uninsured	<u>\$ -0-</u>

STATE OF NEW MEXICO  
VALENCIA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

New Mexico State Employees Credit Union

Money Market Deposit Account	\$ 14,068
Demand deposits	3,807
Certificate of deposits	15,010
Less: FDIC coverage	(32,882)
Amount uninsured	<u>\$ -0-</u>

**B. Capital Assets**

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

Description	6/30/04	Additions	Deletions	6/30/05
<b>Non-Depreciable Assets</b>				
Land	\$ 1,006,000	\$ -	\$ -	\$ 1,006,000
Totals	<u>1,006,000</u>	<u>-</u>	<u>-</u>	<u>1,006,000</u>
Total capital assets	<u>\$ 1,006,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,006,000</u>

**C. Long-Term Debt**

The District has no long-term debt as of June 30, 2005.

**IV. Other Information**

**A. Employee Retirement Benefits**

The District does not offer retirement benefits to its employees.

**B. Post-Employment Benefits**

The District does not offer post-employment benefits.

**C. 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

STATE OF NEW MEXICO  
 VALENCIA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2005

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 \$35,000 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.

**D. 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.

**E. 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 Valencia 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, 2004
Total estimated amount:	\$2,500,000
Amount expended to date:	See Carlsbad SWCD report.
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*

Ms. Dale Jones Jr., Chair  
and Members of the Board of Supervisors  
Valencia Soil and Water Conservation District  
P. O. Box  
Los Lunas, New Mexico 87031

We have audited the accompanying financial statements of the governmental activities, the general fund and the respective budgetary comparison of the Valencia Soil and Water Conservation District (District) as of and for the year ended June 30, 2005 and have issued our report dated March 24, 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.

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

March 24, 2006

STATE OF NEW MEXICO  
VALENCIA SOIL AND WATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2005

STATUS OF PRIOR YEAR AUDIT FINDINGS

None

CURRENT YEAR AUDIT FINDINGS

None.

STATE OF NEW MEXICO  
VALENCIA SOIL AND WATER CONSERVATION DISTRICT

EXIT CONFERENCE  
JUNE 30, 2005

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 24, 2006, an exit conference was held at the District Office with Mr. Charlie Sanchez Jr., Chairperson and Ms. Madeline Miller, Administrative Assistant of the Valencia Soil and Water Conservation District. Representing the Office of the State Auditor was Chan Kim, CPA, Audit Manager.